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Government  
of Canada

Gouvernement  
du Canada

Prepared by the  
Receiver General for Canada

Government  
Publications

50

# Public Accounts of Canada

# 2003

**Volume I**

**Summary Report  
and Financial  
Statements**

Canada



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Government  
of Canada

Gouvernement  
du Canada

Prepared by the  
Receiver General for Canada

Comptes publics du Canada

These are the financial statements of the Government of Canada for the year ended March 31, 2003.

# Public Accounts of Canada

# 2003

## Volume I

### Summary Report and Financial Statements

Canada



# Public Accounts of Canada

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Volume I

To Her Excellency

The Right Honourable Adrienne Clarkson,  
C.C., C.M.M., C.O.M., C.D.,  
*Governor General and  
Commander-in-Chief of Canada*

May it please your Excellency:

I have the honour to present to Your Excellency the *Public Accounts of Canada* for the year ended March 31, 2003.

All of which is respectfully submitted.

Lucienne Robillard,  
*President of the Treasury Board*

Ottawa, October 20, 2003

To The Honourable Lucienne Robillard,  
*President of the Treasury Board*

Madam:

In accordance with the provisions of section 64(1) of the *Financial Administration Act*, I have the honour to transmit herewith the *Public Accounts of Canada* for the year ended March 31, 2003, to be laid by you before the House of Commons.

Respectfully submitted,

Ralph Goodale,  
*Receiver General for Canada*

Ottawa, October 20, 2003

To The Honourable Ralph Goodale,  
*Receiver General for Canada*

Sir:

I have the honour to submit the *Public Accounts of Canada* for the year ended March 31, 2003.

Under section 64(1) of the *Financial Administration Act*, the *Public Accounts of Canada* for each fiscal year shall be prepared by the Receiver General and shall be laid before the House of Commons by the President of the Treasury Board on or before the thirty-first day of December next following the end of that year, or if the House of Commons is not then sitting, within the first fifteen days next thereafter that the House of Commons is sitting.

This annual report is presented in two volumes:

Volume I—The financial statements of Canada on which the Auditor General has expressed an opinion; the observations by the Auditor General on the financial statements of Canada; a discussion and analysis of the financial statements and a ten-year summary of the Government's financial transactions; analyses of revenues and expenses, and of asset and liability accounts; and various other statements.

Volume II—Details of the financial operations of the Government, segregated by ministry (Part I); and additional information and analyses (Part II).

The audited financial statements contained in Volume I are for the year ended March 31, 2003.

Respectfully submitted,

I. David Marshall,  
*Deputy Receiver General for Canada*

Ottawa, October 20, 2003



# VOLUME I

2002-2003

*PUBLIC ACCOUNTS OF CANADA*

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# INTRODUCTION TO THE PUBLIC ACCOUNTS OF CANADA

## Nature of the *Public Accounts of Canada*

The *Public Accounts of Canada* is the report of the Government of Canada prepared each fiscal year by the Receiver General as required by section 64 of the *Financial Administration Act*.

The report covers the fiscal year of the Government, which ends on March 31, and is prepared from data contained in the accounts of Canada and from more detailed records maintained in departments and agencies. The accounts of Canada is the centralized record of the Government's financial transactions maintained by the Receiver General in which the transactions of all departments and agencies are summarized. Each department and agency is responsible for reconciling its accounts to the control accounts of the Receiver General, and for maintaining detailed records of the transactions in their accounts.

The report covers the financial transactions of the Government during the year. In certain cases, parliamentary authority to undertake transactions was provided by legislation approved in earlier years.

## Format of the *Public Accounts of Canada*

The *Public Accounts of Canada* is produced in two volumes.

**Volume I** presents a summary analysis of the financial transactions of the Government. Its content is summarized as follows:

SECTION 1: financial statements discussion and a ten-year analysis of the Government's financial transactions;

SECTION 2: audited financial statements of the Government of Canada;

SECTION 3: review of revenues, expenses and accumulated deficit;

SECTION 4: analysis of consolidated accounts;

SECTION 5: analysis of accounts payable and accrued liabilities;

SECTION 6: analysis of interest-bearing debt;

SECTION 7: analysis of cash and accounts receivable;

SECTION 8: analysis of foreign exchange accounts;

SECTION 9: analysis of loans, investments and advances;

SECTION 10: analysis of non-financial assets; and,

SECTION 11: analysis of other information related to the financial statements.

**Volume II** is published in two parts. **Part I** presents the financial operations of the Government, segregated by ministry while **Part II** presents additional information and analyses.

# SECTION 1

2002-2003

*PUBLIC ACCOUNTS OF CANADA*

## Financial Statements Discussion and Analysis

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### NOTE TO READER

An overview of the financial operations of the Government of Canada is provided in the **Annual Financial Report** prepared by the Minister of Finance. This Report also includes condensed financial statements.

Accompanying this Report are historical fiscal reference tables and related fiscal indicators for the federal government and the provinces.

The **Annual Financial Report** is available on the Internet at <http://www.fin.gc.ca/>. Copies can also be obtained by contacting the Department of Finance Distribution Centre at (613) 995-2855.

## FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS

### Introduction

This section, together with other sections in this volume and Volume II of the *Public Accounts of Canada*, provide detailed supplementary information in respect of matters reported in the audited financial statements in Section 2 of this volume. Further discussion and analysis of the Government's financial results can be found in the 2002-2003 *Annual Financial Report of the Government of Canada* published by the Minister of Finance.

This discussion and analysis of the financial statements has been prepared under the joint direction of the President of the Treasury Board, the Minister of Finance and the Receiver General for Canada. Responsibility for the integrity and objectivity of the financial statements, however, rests with the entire government.

Much of the discussion and analysis in this section compares the Government's financial results to gross domestic product (GDP). (A glossary of terms used in this financial statement discussion and analysis is provided at the end of this section.)

### Highlights

- A surplus of \$7 billion was achieved in 2002-2003. This marks the sixth consecutive year the Government has recorded a surplus.
- As a result, the accumulated deficit stood at \$511 billion, a decline of \$52 billion from its peak of \$563 billion in 1996-1997. The accumulated deficit-to-GDP ratio, as of March 31, 2003, was 44.2 percent – a decline of 24.2 percentage points from its peak of 68.4 percent in 1995-1996.
- Net debt has been reduced by \$47 billion over the last seven years. As a result, the Government's net debt at the end of 2002-2003 was \$565 billion, or 48.9 percent of GDP.
- Interest-bearing debt – the debt issued on credit markets and debt related to pension and other liabilities – declined by \$2.1 billion in 2002-2003. Since 1996-1997, it has fallen by \$15.9 billion.
- The revenue-to-GDP ratio fell to 16.5 percent in 2002-2003, down 1.5 percentage point from 2000-2001. This decline reflects, in part, the impact of the tax reductions announced in the February 2000 budget and October 2000 *Economic Statement and Budget Update*.
- Program spending increased 6.6 percent in 2002-2003. The program spending-to-GDP ratio increased slightly from 12.4 percent in 2001-2002 to 12.6 percent in 2002-2003.
- Public debt charges as a percentage of revenues were 19.6 percent in 2002-2003, down from the peak of 35.2 percent in 1995-1996. This is the lowest the ratio has been since the late 1970s.

*Budget 2003* announced the implementation of full accrual accounting, which is the basis of preparing the Government's 2003 financial results. Annex 6 of the budget provides an explanation of full accrual accounting and its impact on the Government's financial statements.

Full accrual accounting provides a more comprehensive and up-to-date picture of the Government's financial situation. It is the accounting standard recommended for governments in Canada by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and it has been strongly recommended by the Auditor General of Canada and the House of Commons Standing Committee on Public Accounts.

GDP is the total value of all goods and services produced within Canada during a given year. It is a measure of the income generated by production within Canada. It is also referred to as Canada's annual economic output or, more simply, output. To avoid counting the same output more than once, GDP includes only final goods and services – not those that are used to make another product. For example, GDP would not include the wheat used to make bread, but would include the bread itself.

GDP is calculated by Statistics Canada in accordance with international standards and is updated annually. It is calculated on a quarterly basis. For the purposes of this section, the official calendar year number is used.

Comparisons to GDP are generally accepted as appropriate indicators of the trends in the Government's financial performance.

The Government's commitment to implement full accrual accounting was made in the 1995 budget, but much work was involved before actual implementation was feasible this year. New financial systems had to be put in place in all departments and agencies, accounting policies and practices had to be updated, then communicated to departments and agencies with requisite training, and the departments and agencies had to value tens of billions of dollars in assets and liabilities that had previously not been valued. Finally, the Auditor General was asked whether she could audit the amounts valued by the departments.

While delays inevitably have occurred, the implementation of full accrual accounting by the Government of Canada is a tremendous achievement and reflects the hard work and dedication of the Public Service of Canada, particularly those involved in financial administration.

On February 5, 2003, Canada's first ministers signed the Accord on Health Care Renewal, which sets out a plan for reforms to improve access to quality health care for Canadians. This plan builds on the September 2000 first ministers' agreement on health and is consistent with the recommendations of the Commission on the Future of Health Care in Canada and the Senate report *The Health of Canadians – The Federal Role*, as well as those of numerous provincial commissions on health reform.

In the Government's financial statements, expenses for the Canada Health and Social Transfer (CHST) reflect the 2002-2003 parts of this plan. In addition to cash transfers of \$18.6 billion, expenses include a \$2.5 billion CHST supplement and \$1.5 billion in funding to the provinces and territories for diagnostic/medical equipment. Further, expenses for other transfer payments include \$600 million to Canada Health Infoway to accelerate the development of health information technology, and \$500 million to the Canada Foundation for Innovation in support of state-of-the-art health research facilities.

## Analysis

### Budget-to-actual comparison

As noted in budget documents, the Government's revenues and expenses are sensitive to changes in economic assumptions – particularly to changes in real economic growth, inflation and interest rates. To ensure that such developments do not adversely affect the Government's balanced budget targets, it follows a prudent approach to budget planning – including the use of private sector economic forecasts, regular consultations with a private sector economic advisory group, and the inclusion in the fiscal projections of an annual \$3 billion Contingency Reserve, as well as extra economic prudence. If the Contingency Reserve is not needed, it is used to reduce the accumulated deficit.

To illustrate the impact of changes in economic conditions, the Department of Finance publishes on a regular basis sensitivity impacts on the surplus. These show, for example, that

- A 1-percent decrease in real GDP growth for one year would lower the surplus by about \$2.5 billion annually.
- A 1-percent reduction in inflation in the first year would lower the surplus by about \$1.4 billion annually.
- A sustained 100-basis-point decline in all interest rates would improve the surplus by \$0.8 billion in the first year.

*Budget 2003* forecast the 2002-2003 surplus at \$3 billion, which was subsequently re-affirmed by the Minister of Finance on June 25, 2003. The final outcome for 2002-2003 was a surplus of \$7 billion.

The original budget for the 2002-2003 fiscal year was tabled on December 10, 2001. However, that budget was prepared on a different basis of accounting. *Budget 2003*, tabled on February 18, 2003, was presented on a full accrual basis of accounting and presented updated forecasts for the 2002-2003 fiscal year on a net basis. Note 3 iv to the financial statements in Section 2 of this volume describes the adjustments that have been made to *Budget 2003* to convert it to the gross basis of accounting used in these Public Accounts. After making these adjustments, the comparison of actual results for 2003 to the budget – at a high level – is as follows:

	2003		
	Budget	Actual	Difference
(in millions of dollars)			
Income tax revenues .....	117,000	115,043	-1,957
Other taxes and duties .....	41,600	41,357	-243
Employment insurance premiums .....	18,300	17,870	-430
Other revenues .....	14,200	15,962	1,762
Total revenues .....	191,100	190,232	-868
Transfer payments .....	101,600	98,732	-2,868
Other program expenses .....	49,400	47,261	-2,139
Public debt charges .....	37,100	37,270	170
Total expenses .....	188,100	183,263	-4,837
Annual surplus .....	3,000	6,969	3,969

The 2002-2003 surplus is \$4 billion higher than that expected in *Budget 2003*. This improvement is roughly attributable to \$2.9 billion in lower transfer payments and \$2.1 billion in lower other program expenses offset by \$900 million in lower revenues.

The lower transfer payments are primarily the result of lower-than-expected entitlements under the fiscal arrangements programs (\$2.2 billion), primarily equalization entitlements. Employment insurance benefits were \$500 million lower than expected and other transfer payments were \$200 million lower than expected, primarily reflecting the improved economic environment in 2002.

Other program expenses were \$2.1 billion lower than estimated in *Budget 2003*, primarily reflecting lower provisions for liabilities, reflecting the improved economic environment in 2002.

Revenues were \$900 million lower than estimated in *Budget 2003*. The lower-than-expected tax revenues and employment insurance premiums were partially offset by higher net gains from enterprise Crown corporations.

## Comparison to 2001-2002

The implementation of full accrual accounting in 2002-2003 has been done retroactively so that the 2001-2002 results are presented on a comparative basis, as shown in the following table:

	Actual		
	2003	2002	Difference
(in millions of dollars)			
Income tax revenues .....	115,043	114,139	904
Other taxes and duties .....	41,357	37,133	4,224
Employment insurance premiums .....	17,870	17,637	233
Other revenues .....	15,962	14,767	1,195
Total revenues .....	190,232	183,676	6,556
Transfer payments .....	98,732	90,775	7,957
Other program expenses .....	47,261	46,231	1,030
Public debt charges .....	37,270	39,651	-2,381
Total expenses .....	183,263	176,657	6,606
Annual surplus .....	6,969	7,019	-50

Income tax revenues were \$900 million higher than in 2001-2002. Personal income tax revenues were \$2.5 billion higher, while corporate income tax revenues declined \$2 billion and other income tax revenues increased by \$400 million. Personal income tax revenues increased partly because of a change in classification, with the remainder broadly in line with the growth of 3.3 percent in personal income, adjusted for the incremental impact of the tax reduction measures announced in the February 2000 budget and October 2000 *Economic Statement and Budget Update*. The decline in corporate income tax revenues is due to the impact of loss carry-forwards from 2001 and reductions in the corporate tax rate.

Other taxes and duties increased \$4.2 billion. GST revenues increased \$3 billion, primarily due to strong growth in consumer demand, especially durable goods and new housing. Customs import duties increased \$200 million, reflecting a strong increase in imports subject to tariffs. Other excise taxes and duties were up \$1 billion, in part due to the introduction of the Air Travellers Security Charge, which came into effect on April 1, 2002; the remainder of the increase is due to increases in the tobacco excise tax.

Employment insurance premiums were up \$200 million as the reduction in premium rates was more than offset by the increase in the number of people employed and therefore paying premiums.

Other revenues were up \$1.2 billion, primarily reflecting higher foreign exchange revenues and higher profits and revenues from Crown corporations.

Expenses were \$6.6 billion higher than in 2001-2002, net of the \$2.4 billion decrease in public debt charges. The decline in public debt charges is primarily attributable to a decline in the stock of

interest-bearing debt and lower average effective interest rates on that debt.

Transfer payments increased by \$8 billion. Elderly benefits were up \$1.1 billion, reflecting both higher average benefits, which are indexed to inflation, and an increase in the number of recipients. Transfers to the provinces and territories were up \$4 billion due to \$3.8 billion in incremental funding for the CHST and a \$1.5 billion investment in the Diagnostic/Medical Equipment Fund, offset by a decrease in entitlements under fiscal arrangements. Employment insurance benefits increased \$800 million due to increased regular benefit payments and higher special benefits. Other transfer payments advanced by \$1.8 billion, primarily attributable to increased funding to the Canada Foundation for Innovation (\$500 million) and Canada Health Infoway (\$600 million). Increased Canada child tax benefits accounted for the remainder of the increase.

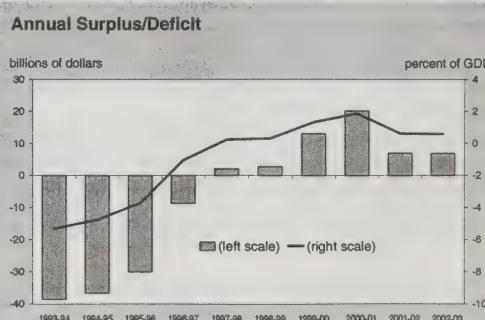
Other program expenses increased by \$1 billion. Expenses related to Crown corporations were up \$400 million. Defence expenses increased by \$900 million, primarily reflecting incremental funding provided in *Budget 2003*. Expenses for all other departments and agencies declined by \$300 million.

## Significant trends

### The Surplus/Deficit

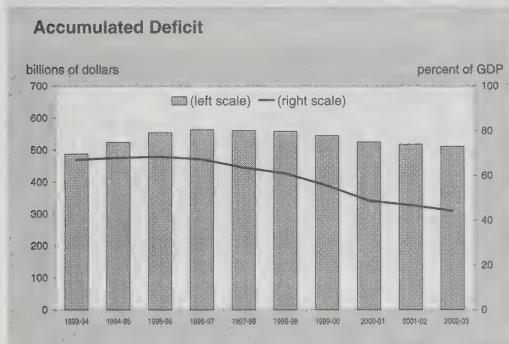
The 2002-2003 surplus of \$7 billion marks the sixth consecutive year in which the Government has recorded a surplus. Canada stands out as the only Group of Seven (G-7) country in surplus in 2002, according to the Organization for Economic Co-operation and Development (OECD). The OECD also expects that Canada will be the only G-7 country to record a surplus in 2003.

The following graph illustrates the Government's surplus/deficit performance during the past 10 years.



## Accumulated Deficit

The accumulated deficit is the net accumulation of the annual surpluses and deficits since Confederation. It is also the difference between the Government's total liabilities and its assets – both financial and non-financial. Given six years of consecutive surpluses, the accumulated deficit has been on a downward track over the past six years, as shown in the following graph:

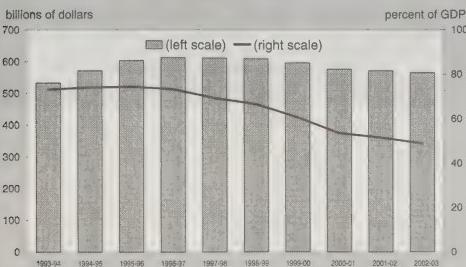


## Net Debt

The Government's net debt – its total liabilities less *financial* assets – declined to \$565 billion from its peak of \$612 billion in 1996-1997. As a share of GDP, net debt dropped to 48.9 percent in 2002-2003, down nearly 25.5 percentage points from the peak of 74.4 percent in 1995-1996.

This ratio measures debt relative to the ability of the Government and the country's taxpayers to finance it. Total liabilities are only reduced by *financial* assets as *non-financial* assets could not normally be converted to cash to pay off the debt, without disrupting government operations. This is the seventh consecutive year in which the net debt-to-GDP ratio has declined.

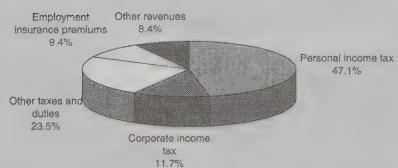
## Net Debt



## Revenues

The Government's sources of revenue are as follows:

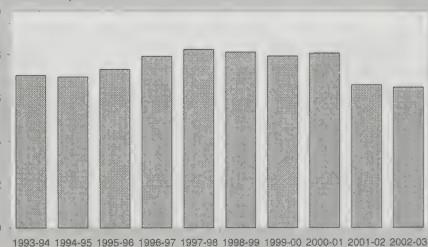
### Composition of Revenues for 2002-2003



The revenue ratio shows the extent to which the Government is taking income out of the economy, both through taxation and user charges. The Government's revenue ratio for 2002-2003, as shown in the following graph, is at its lowest level since 1997-1998. This means that the Government is taking a much lower percentage of income from the Canadian economy.

## Revenue Ratio

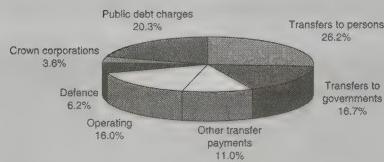
revenues as a percent of GDP



## Expenses

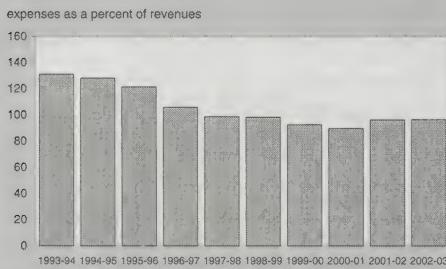
The composition of government expenses is as follows:

**Composition of Expenses for 2002-2003**



The expense ratio shows total government expenses as a percentage of revenues. An expense ratio less than 100 means that revenues exceed expenses, resulting in a surplus. At 96.3 percent, the expense ratio in 2002-2003 is down from the 131.1 percent recorded in 1993-1994. In 2000-2001, the expense ratio stood at 89.6 percent.

**Expense Ratio**

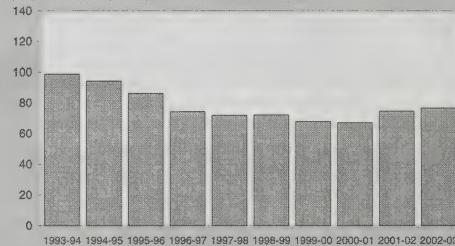


Included in total government expenses is interest on the public debt, which is required to meet the Government's ongoing financing costs on its debt. Generally speaking, the Government has more

discretion for the remaining – program - expenses. Program expenses – total government expenses less interest on the public debt – amounted to 76.7 percent of revenues in 2002-2003. In 2000-2001, the program share was 67 percent.

**Program Share**

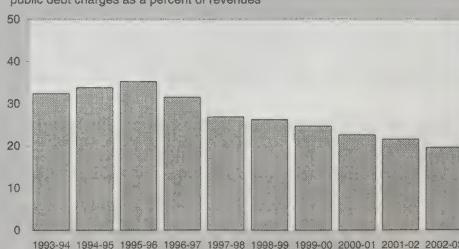
program spending as a percent of revenues



The interest ratio shows public debt charges as a percentage of revenues. It declined from 21.6 percent in 2001-2002 to 19.6 percent in 2002-2003. This ratio means that, in 2002-2003, the Government spent less than 20 cents of every revenue dollar on interest on the public debt. This is down from the peak of 36 cents in 1995-1996 and is the lowest this ratio has been since the late 1970s. This is money that is required to meet the Government's ongoing financing costs on its debt. The lower the ratio, the more flexibility the Government has to address the key priorities of Canadians.

**The Interest Ratio**

public debt charges as a percent of revenues

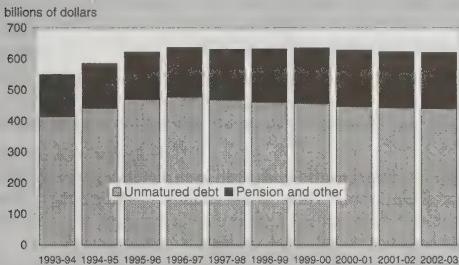


## Interest-Bearing Debt

Interest-bearing debt includes unmatured, or market, debt and pension and other liabilities.

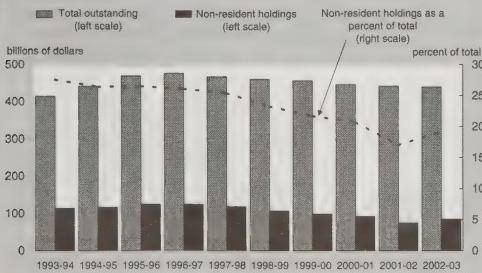
At March 31, 2003, interest-bearing debt amounted to \$621 billion, down \$2.1 billion from the level a year earlier. The Government's strategy for market debt is published in *Debt Management Strategy 2003-2004*; annual reports of most pension plans are tabled separately in Parliament.

### Interest-Bearing Debt



Foreign holdings of the Government's outstanding market debt are estimated at \$84.7 billion at the end of March 2003. This represents 19.3 percent of the Government's total market debt.

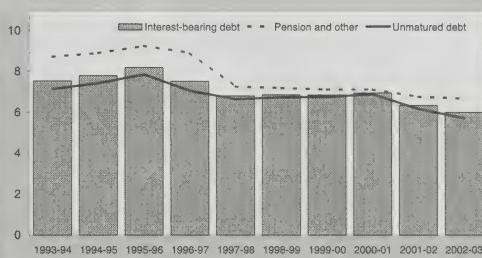
### Foreign Holdings of Government of Canada Market Debt



The average effective interest rate on the Government's interest-bearing debt was 6 percent in 2002-2003; it was 5.7 percent on market debt and 6.7 percent on pension and other liabilities.

### Average Effective Interest Rate on Interest-Bearing Debt

percent



### Financial Assets

Financial assets include cash on deposit with the Bank of Canada, chartered banks and other financial institutions, and amounts owing for taxes and government services provided. Also included are the Government's foreign exchange reserves and its loans and advances to, or investments in, its enterprise Crown corporations, other governments and other individuals and organizations.

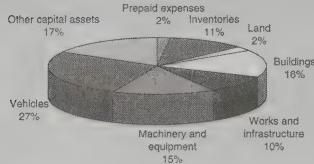
### Financial Assets for 2002-2003



## Non-Financial Assets

Non-financial assets include the net book value of the Government's capital assets. Capital assets include land, buildings, works and infrastructure such as roads and bridges, machinery and equipment, ships, aircraft and other vehicles. Non-financial assets also include inventories and prepaid expenses.

**Non-Financial Assets for 2002-2003**



## Cash Flow

The Government's operating activities generate a significant source of cash, after adjusting for non-cash revenues and expenses. In addition, cash is received from loan and receivable repayments, and is used to pay off debt and acquire capital assets. The following are the cash flows of the Government:

**Cash Flow**



## Risks and uncertainties

In *Budget 2003*, private sector economists expected that growth in the Canadian economy would average 3.2 percent in 2003 and rise to 3.5 percent in 2004, consistent with the expectation that the U.S. economic recovery would gain momentum in the second half of 2003 and into 2004.

However, the global economic environment has not rebounded as expected. In addition, the Canadian economy has been affected by domestic events, namely the outbreak of severe acute respiratory syndrome (SARS), the discovery of an isolated case of bovine spongiform encephalopathy (BSE or mad cow disease), severe forest fires in British Columbia and the power failure in Ontario. These developments are adversely affecting economic prospects in the second and third quarters of 2003.

Also, the rapid and significant rise in the Canadian dollar against the U.S. currency since the budget will have negative impacts on Canadian profit margins and exports in the short term as exporters adjust.

The Government also finds itself in an increasingly complex litigious environment. There is uncertainty regarding the eventual outcome of many actions against the Government, some of which could have significant negative financial consequences.

The Government will continue to monitor these factors closely.

## SUPPLEMENTARY FINANCIAL INFORMATION

This part provides a ten years comparative summary of the Government's financial transactions based on the accounting

policies explained in Note 1 to the audited financial statements in Section 2 of this volume.

**TABLE 1.1**

### GOVERNMENT OF CANADA DETAILED STATEMENT OF OPERATIONS (in millions of dollars)

	Year ended March 31 <sup>(1)</sup>									
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Revenues—</b>										
<b>Tax revenues—</b>										
<b>Income tax—</b>										
Personal.....	55,173	60,648	64,049	67,796	74,949	77,894	85,070	92,662	86,972	89,530
Corporate.....	9,098	10,969	15,372	16,235	21,179	21,213	22,115	28,293	24,242	22,222
Other income tax revenues.....	1,533	1,700	1,882	2,671	1,999	2,208	2,646	2,982	2,925	3,291
	65,804	73,317	81,303	86,702	98,127	101,315	109,831	123,937	114,139	115,043
<b>Other taxes and duties—</b>										
Goods and services tax.....	15,939	17,062	16,880	18,159	19,717	20,936	23,121	24,759	25,292	28,248
Energy taxes .....	3,640	3,824	4,404	4,467	4,638	4,716	4,757	4,792	4,848	4,992
Customs import duties .....	3,652	3,575	2,969	2,676	2,766	2,359	2,105	2,784	3,040	3,221
Other excise taxes and duties.....	3,709	2,996	2,998	3,902	4,025	3,706	3,315	3,434	3,953	4,896
	26,940	27,457	27,251	29,204	31,146	31,717	33,298	35,769	37,133	41,357
<b>Total tax revenues .....</b>	<b>92,744</b>	<b>100,774</b>	<b>108,554</b>	<b>115,906</b>	<b>129,273</b>	<b>133,032</b>	<b>143,129</b>	<b>159,706</b>	<b>151,272</b>	<b>156,400</b>
<b>Employment insurance premiums.....</b>	<b>19,298</b>	<b>18,293</b>	<b>19,089</b>	<b>19,949</b>	<b>19,242</b>	<b>19,064</b>	<b>18,628</b>	<b>18,655</b>	<b>17,637</b>	<b>17,870</b>
<b>Other revenues—</b>										
Crown corporation revenues.....	2,895	3,593	5,830	4,000	4,369	4,497	4,700	5,460	4,754	5,305
Other program revenues .....	5,984	6,288	5,605	8,609	6,428	7,180	7,525	7,620	7,560	7,278
Foreign exchange revenues.....	2,952	1,843	1,179	1,456	1,542	1,851	2,085	2,679	2,453	3,379
<b>Total other revenues .....</b>	<b>11,831</b>	<b>11,724</b>	<b>12,614</b>	<b>14,065</b>	<b>12,339</b>	<b>13,528</b>	<b>14,310</b>	<b>15,759</b>	<b>14,767</b>	<b>15,962</b>
<b>Total revenues.....</b>	<b>123,873</b>	<b>130,791</b>	<b>140,257</b>	<b>149,920</b>	<b>160,854</b>	<b>165,624</b>	<b>176,067</b>	<b>194,120</b>	<b>183,676</b>	<b>190,232</b>
<b>Expenses—</b>										
<b>Transfer payments—</b>										
Old age security benefits, guaranteed income supplement and spouse's allowance.....	19,578	20,143	20,430	21,207	21,758	22,285	22,856	23,668	24,641	25,692
Other levels of Government—										
Canada health and social transfer <sup>(2)</sup> .....					14,911	12,421	16,018	14,891	13,500	17,300
Fiscal arrangements .....	10,101	8,870	9,405	9,418	10,000	11,645	10,721	12,467	11,603	10,879
Canada Assistance Plan .....	7,236	7,266	7,191	105	24	8	56			
Education support .....	2,378	2,486	2,365	-41	5					
Alternative payments for standing programs .....					-2,014	-2,108	-2,150	-2,425	-2,460	-2,662
Other .....	7,232	7,691	7,115	-217	162	2		1,217	375	987
<b>Total other levels of Government .....</b>	<b>26,947</b>	<b>26,313</b>	<b>26,076</b>	<b>22,162</b>	<b>20,504</b>	<b>25,523</b>	<b>23,243</b>	<b>24,724</b>	<b>26,616</b>	<b>30,645</b>
Employment insurance benefits .....	17,626	14,815	13,476	12,380	11,842	11,884	11,301	11,444	13,726	14,496
Canada child tax benefits .....	5,203	5,322	5,215	5,239	5,352	5,715	6,000	6,783	7,471	7,823
Other transfer payments .....	16,844	18,450	16,638	16,011	21,053	17,379	17,984	21,075	18,321	20,076
<b>Total transfer payments .....</b>	<b>86,198</b>	<b>85,043</b>	<b>81,835</b>	<b>76,999</b>	<b>80,509</b>	<b>82,786</b>	<b>81,384</b>	<b>87,694</b>	<b>90,775</b>	<b>98,732</b>
<b>Other program expenses—</b>										
Crown corporation expenses.....	4,707	5,196	9,552	5,204	4,441	5,790	5,246	5,402	6,085	6,551
National Defence .....	11,087	10,580	9,817	8,807	9,087	9,308	10,113	9,744	10,443	11,318
All other departments and agencies .....	20,312	22,419	19,652	20,317	21,565	21,590	22,795	27,226	29,703	29,392
<b>Total other program expenses .....</b>	<b>36,106</b>	<b>38,195</b>	<b>39,021</b>	<b>34,328</b>	<b>35,093</b>	<b>36,688</b>	<b>38,154</b>	<b>42,372</b>	<b>46,231</b>	<b>47,261</b>
<b>Total program expenses .....</b>	<b>122,304</b>	<b>123,238</b>	<b>120,856</b>	<b>111,327</b>	<b>115,602</b>	<b>119,474</b>	<b>119,538</b>	<b>130,066</b>	<b>137,006</b>	<b>145,993</b>
<b>Public debt charges .....</b>	<b>40,099</b>	<b>44,185</b>	<b>49,407</b>	<b>47,281</b>	<b>43,120</b>	<b>43,303</b>	<b>43,384</b>	<b>43,892</b>	<b>39,651</b>	<b>37,270</b>
<b>Total expenses .....</b>	<b>162,403</b>	<b>167,423</b>	<b>170,263</b>	<b>158,608</b>	<b>158,722</b>	<b>162,777</b>	<b>162,922</b>	<b>173,958</b>	<b>176,657</b>	<b>183,263</b>
<b>Annual surplus or deficit (-) .....</b>	<b>-38,530</b>	<b>-36,632</b>	<b>-30,006</b>	<b>-8,688</b>	<b>2,132</b>	<b>2,847</b>	<b>13,145</b>	<b>20,162</b>	<b>7,019</b>	<b>6,969</b>

<sup>(1)</sup> These figures reflect restatements due to the adoption of full accrual accounting. Figures previous to 2001-2002 have been restated based on management's best estimates. These restatements have not been audited.

<sup>(2)</sup> This transfer was introduced in 1996-97 to replace the Canada Assistance Plan, Education support and Insurance and medical care.

**TABLE 1.2**

**GOVERNMENT OF CANADA  
STATEMENT OF ACCUMULATED DEFICIT**  
(in millions of dollars)

	Year ended March 31 <sup>(1)</sup>									
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Accumulated deficit, beginning of year — previously reported .....	466,198	508,210	545,672	574,289	583,186	579,369	576,257	563,544	545,396	517,545
Changes in accounting policies.....	-17,204	-20,686	-21,516	-20,127	-20,336	-18,651	-18,386	-18,818	-20,832	
Accumulated deficit, beginning of year — restated.....	448,994	487,524	524,156	554,162	562,850	560,718	557,871	544,726	524,564	517,545
Annual surplus or deficit (-) before changes										
in accounting policies .....	-42,012	-37,462	-28,617	-8,897	3,817	3,112	12,713	18,148	8,907	5,411
Net impact of changes in accounting policies.....	3,482	830	-1,389	209	-1,685	-265	432	2,014	-1,888	1,558
Annual surplus or deficit (-) .....	-38,530	-36,632	-30,006	-8,688	2,132	2,847	13,145	20,162	7,019	6,969
Accumulated deficit, end of year.....	487,524	524,156	554,162	562,850	560,718	557,871	544,726	524,564	517,545	510,576

<sup>(1)</sup> These figures reflect restatement due to the adoption of full accrual accounting. Figures previous to 2001-2002 have been restated based on management's best estimates. These restatements have not been audited.

TABLE 1.3

**GOVERNMENT OF CANADA**  
**DETAILED STATEMENT OF FINANCIAL POSITION**  
 (in millions of dollars)

	As at March 31 <sup>(1)</sup>										
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
<b>LIABILITIES</b>											
<i>ACCOUNTS PAYABLE AND ACCRUED LIABILITIES—</i>											
Accounts payable and accrued liabilities .....	27,660	32,651	35,335	34,473	40,001	43,047	40,078	40,862	35,286	37,731	
Tax payables .....	21,910	22,912	24,046	25,076	27,579	28,843	29,809	33,030	34,284	33,549	
Interest and matured debt .....	6,465	4,831	7,403	10,402	10,419	9,791	8,353	9,107	7,807	4,302	
Allowance for guarantees .....	4,930	5,540	5,440	5,253	4,188	4,090	3,920	3,951	4,076	3,802	
<b>Total accounts payable and accrued liabilities.....</b>	<b>60,965</b>	<b>65,934</b>	<b>72,224</b>	<b>75,204</b>	<b>82,187</b>	<b>85,771</b>	<b>82,160</b>	<b>86,950</b>	<b>81,453</b>	<b>79,384</b>	
<i>INTEREST-BEARING DEBT—</i>											
<i>Unmatured debt—</i>											
Payable in Canadian currency—											
Marketable bonds .....	203,392	225,679	252,700	282,498	294,583	295,752	293,927	294,973	293,843	288,245	
Treasury bills .....	166,000	164,450	166,100	135,400	112,300	96,950	99,850	88,700	94,039	104,411	
Canada savings and Canada premium bonds .....	30,418	30,460	30,460	32,470	29,769	27,662	26,489	26,099	23,966	22,584	
Non-marketable bonds and notes .....	3,497	3,488	3,478	3,468	3,456	4,063	3,552	3,473	3,391	3,371	
403,307	424,077	452,738	453,836	440,108	424,427	423,818	413,245	415,239	418,611		
Payable in foreign currencies .....	10,668	16,921	16,809	23,016	27,183	36,000	32,588	33,158	27,032	21,141	
413,975	440,998	469,547	476,852	467,291	460,427	456,406	446,403	442,271	439,752		
<b>Pension and other liabilities—</b>											
Public sector pensions .....	94,097	101,033	107,882	114,205	117,457	122,407	128,346	129,185	126,921	125,708	
Other employee and veteran future benefits .....	34,030	34,264	34,777	34,982	35,230	35,785	36,001	37,668	38,280	38,844	
Due to Canada Pension Plan .....	2,728	3,406	3,636	3,718	4,205	5,427	6,217	6,391	6,770	7,093	
Other liabilities .....	4,881	5,926	6,493	6,953	7,043	7,895	8,134	8,365	8,647	9,359	
135,736	144,629	152,788	159,858	163,935	171,514	178,698	181,609	180,618	181,004		
<b>Total interest-bearing debt .....</b>	<b>549,711</b>	<b>585,627</b>	<b>622,335</b>	<b>636,710</b>	<b>631,226</b>	<b>631,941</b>	<b>635,104</b>	<b>628,012</b>	<b>622,889</b>	<b>620,756</b>	
<b>TOTAL LIABILITIES.....</b>	<b>610,676</b>	<b>651,561</b>	<b>694,559</b>	<b>711,914</b>	<b>713,413</b>	<b>717,712</b>	<b>717,264</b>	<b>714,962</b>	<b>704,342</b>	<b>700,140</b>	
<b>FINANCIAL ASSETS</b>											
<i>CASH AND ACCOUNTS RECEIVABLE—</i>											
Cash .....	1,435	1,383	9,044	10,175	11,691	10,693	14,511	15,801	11,360	16,486	
Tax receivables .....	35,680	36,769	38,610	39,383	40,679	41,838	43,321	48,572	45,605	43,597	
Other accounts receivable .....	3,502	3,382	4,923	3,213	2,832	3,348	3,179	2,629	2,868	2,543	
<b>Total cash and accounts receivable .....</b>	<b>40,617</b>	<b>41,534</b>	<b>52,577</b>	<b>52,771</b>	<b>55,202</b>	<b>55,879</b>	<b>61,011</b>	<b>67,002</b>	<b>59,833</b>	<b>62,626</b>	
<i>FOREIGN EXCHANGE ACCOUNTS—</i>											
International reserves held in the Exchange Fund Account .....	13,156	14,356	18,908	26,726	28,198	31,855	38,630	47,845	48,667	44,849	
International Monetary Fund—Subscriptions .....	8,443	9,433	8,580	8,295	8,194	13,048	12,390	12,814	12,821	12,942	
Less: International Monetary Fund—Notes payable and special drawing rights allocations .....	8,674	9,439	8,434	8,208	7,424	10,235	9,526	10,389	9,442	8,841	
<b>Total net foreign exchange accounts .....</b>	<b>12,925</b>	<b>14,350</b>	<b>19,054</b>	<b>26,813</b>	<b>28,968</b>	<b>34,668</b>	<b>41,494</b>	<b>50,270</b>	<b>52,046</b>	<b>48,950</b>	
<i>LOANS, INVESTMENTS AND ADVANCES—</i>											
Enterprise Crown corporations and other government business enterprises .....	19,811	19,085	15,546	15,212	14,697	13,089	13,369	14,176	13,688	14,555	
National governments including developing countries and international organizations .....	9,125	8,762	8,786	8,691	6,869	7,555	7,315	7,541	7,342	6,597	
Other loans, investments and advances .....	7,665	7,664	4,996	5,233	5,547	6,361	6,572	8,774	10,013	12,034	
36,601	35,511	29,328	29,136	27,113	27,005	27,256	30,491	31,043	33,186		
Less: allowance for valuation .....	12,432	11,046	9,147	9,075	8,749	9,365	9,053	9,106	9,487	9,438	
<b>Total loans, investments and advances .....</b>	<b>24,169</b>	<b>24,465</b>	<b>20,181</b>	<b>20,061</b>	<b>18,364</b>	<b>17,640</b>	<b>18,203</b>	<b>21,385</b>	<b>21,556</b>	<b>23,748</b>	
<b>TOTAL FINANCIAL ASSETS.....</b>	<b>77,711</b>	<b>80,349</b>	<b>91,812</b>	<b>99,645</b>	<b>102,534</b>	<b>108,187</b>	<b>120,708</b>	<b>138,657</b>	<b>133,435</b>	<b>135,324</b>	
<b>NET DEBT.....</b>	<b>532,965</b>	<b>571,212</b>	<b>602,747</b>	<b>612,269</b>	<b>610,879</b>	<b>609,525</b>	<b>596,556</b>	<b>576,305</b>	<b>570,907</b>	<b>564,816</b>	
<b>NON-FINANCIAL ASSETS</b>											
Tangible capital assets .....	39,374	40,801	42,095	42,750	43,293	44,625	44,648	44,214	45,724	47,034	
Inventories .....	5,206	5,385	5,610	5,779	5,967	6,117	6,258	6,591	6,438	6,113	
Prepaid expenses .....	861	870	880	890	901	912	924	936	1,200	1,093	
<b>TOTAL NON-FINANCIAL ASSETS.....</b>	<b>45,441</b>	<b>47,056</b>	<b>48,585</b>	<b>49,419</b>	<b>50,161</b>	<b>51,654</b>	<b>51,830</b>	<b>51,741</b>	<b>53,362</b>	<b>54,240</b>	
<b>ACCUMULATED DEFICIT .....</b>	<b>487,524</b>	<b>524,156</b>	<b>554,162</b>	<b>562,850</b>	<b>560,718</b>	<b>557,871</b>	<b>544,726</b>	<b>524,564</b>	<b>517,545</b>	<b>510,576</b>	

<sup>(1)</sup> These figures reflect restatements due to the adoption of full accrual accounting. Figures previous to 2001-2002 have been restated based on management's best estimates. These restatements have not been audited.

**TABLE 1.4**

**GOVERNMENT OF CANADA**  
**STATEMENT OF CHANGE IN NET DEBT**  
 (in millions of dollars)

	Year ended March 31 <sup>(1)</sup>									
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Net debt, beginning of year — previously reported</b>	<b>466,198</b>	<b>508,210</b>	<b>545,672</b>	<b>574,289</b>	<b>583,186</b>	<b>579,369</b>	<b>576,257</b>	<b>563,544</b>	<b>545,396</b>	<b>570,907</b>
Changes in accounting policies	25,346	24,755	25,540	28,458	29,083	31,510	33,268	33,012	30,909	
<b>Net debt, beginning of year — restated</b>	<b>491,544</b>	<b>532,965</b>	<b>571,212</b>	<b>602,747</b>	<b>612,269</b>	<b>610,879</b>	<b>609,525</b>	<b>596,556</b>	<b>576,305</b>	<b>570,907</b>
Change in net debt during the year —										
Annual surplus (-) or deficit	38,530	36,632	30,006	8,688	-2,132	-2,847	-13,145	-20,162	-7,019	-6,969
Changes due to tangible capital assets —										
Acquisition of tangible capital assets	4,977	3,739	3,691	3,135	3,047	3,824	2,520	2,086	4,485	5,051
Amortization of tangible capital assets	-1,968	-2,089	-2,195	-2,277	-2,320	-2,312	-2,290	-2,312	-2,583	-3,341
Proceeds from disposal of tangible capital assets	-144	-85	-73	-1,575	-82	-95	-46	-111	-56	-288
Loss (-) or gain on disposal of tangible capital assets	-91	-138	-129	1,372	-102	-85	-161	-97	-336	-112
Total	2,774	1,427	1,294	655	543	1,332	23	-434	1,510	1,310
Changes due to inventories	108	179	225	169	188	150	141	333	-153	-325
Changes due to prepaid expenses	9	9	10	10	11	11	12	12	264	-107
<b>Net decrease (-) or increase in net debt</b>	<b>41,421</b>	<b>38,247</b>	<b>31,535</b>	<b>9,522</b>	<b>-1,390</b>	<b>-1,354</b>	<b>-12,969</b>	<b>-20,251</b>	<b>-5,398</b>	<b>-6,091</b>
<b>Net debt, end of year</b>	<b>532,965</b>	<b>571,212</b>	<b>602,747</b>	<b>612,269</b>	<b>610,879</b>	<b>609,525</b>	<b>596,556</b>	<b>576,305</b>	<b>570,907</b>	<b>564,816</b>

<sup>(1)</sup> These figures reflect restatement due to the adoption of full accrual accounting. Figures previous to 2001-2002 have been restated based on management's best estimates. These restatements have not been audited.

**TABLE 1.5**
**GOVERNMENT OF CANADA  
STATEMENT OF CASH FLOW**  
 (in millions of dollars)

	Year ended March 31 <sup>(1)</sup>									
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Operating activities—</b>										
Annual surplus or deficit (-).....	-38,530	-36,632	-30,006	-8,688	2,132	2,847	13,145	20,162	7,019	6,969
Items not affecting cash —										
Share of annual profit in enterprise Crown corporations and other government business enterprises .....	-1,140	-1,928	-1,873	-1,858	-2,281	-2,507	-2,562	-3,274	-2,482	-2,962
Amortization of tangible capital assets .....	1,968	2,089	2,195	2,277	2,320	2,312	2,290	2,312	2,583	3,341
Loss or gain (-) on disposal of tangible capital assets.....	91	138	129	-1,372	102	85	161	97	336	112
Changes in inventories and prepaid expenses .....	-117	-188	-235	-179	-199	-161	-153	-345	-111	432
Changes in pension and other liabilities .....	6,508	8,893	8,159	7,070	4,077	7,579	7,184	2,911	-991	386
Changes in foreign exchange accounts .....	-2,128	-1,425	-4,704	-7,759	-2,155	-5,700	-6,826	-8,776	-1,776	3,096
Net change in other accounts.....	4,584	3,010	910	3,534	5,172	2,219	-5,605	-779	-2,390	215
Cash provided or used (-) by operating activities.....	-28,764	-26,043	-25,425	-6,975	9,168	6,674	7,634	12,308	2,188	11,589
<b>Capital investment activities—</b>										
Acquisitions of tangible capital assets .....	-4,977	-3,739	-3,691	-3,135	-3,047	-3,824	-2,520	-2,086	-4,485	-5,051
Proceeds from disposal of tangible capital assets .....	144	85	73	1,575	82	95	46	111	56	288
Cash provided or used (-) by capital investment activities.....	-4,833	-3,654	-3,618	-1,560	-2,965	-3,729	-2,474	-1,975	-4,429	-4,763
<b>Investing activities—</b>										
Enterprise Crown corporations and other government business enterprise net repayments .....	1,828	2,653	5,412	2,192	2,796	4,115	2,282	2,467	2,971	2,095
Other loans, investments and advances issued .....	-4,332	-4,160	-3,204	-2,349	-2,426	-4,074	-2,659	-4,496	-4,980	-5,895
Other loans, investments and advances repayments .....	3,718	4,129	5,947	2,518	4,504	2,880	3,056	2,989	3,941	4,619
Cash provided or used (-) by investing activities.....	1,214	2,622	8,155	2,361	4,874	2,921	2,679	960	1,932	819
<b>Total cash generated or required (-) before financing activities .....</b>										
-32,383	-27,075	-20,888	-6,174	11,077	5,866	7,839	11,293	-309	7,645	
<b>Financing activities—</b>										
Canadian currency borrowings issued .....	441,380	450,742	448,474	379,005	283,297	245,244	267,810	225,243	257,925	309,145
Canadian currency borrowings repayments .....	-415,405	-429,972	-419,813	-377,907	-297,025	-260,925	-268,419	-235,815	-255,931	-305,773
Foreign currencies borrowings issued .....	22,584	43,796	27,839	36,806	42,586	51,859	33,418	34,176	23,412	17,297
Foreign currencies borrowings repayments .....	-17,325	-37,543	-27,951	-30,599	-38,419	-43,042	-36,830	-33,607	-29,538	-23,188
Cash provided or used (-) by financing activities.....	31,234	27,023	28,549	7,305	-9,561	-6,864	-4,021	-10,003	-4,132	-2,519
Net increase or decrease (-) in cash .....	-1,149	-52	7,661	1,131	1,516	-998	3,818	1,290	-4,441	5,126
Cash at beginning of year .....	2,584	1,435	1,383	9,044	10,175	11,691	10,693	14,511	15,801	11,360
Cash at end of year .....	1,435	1,383	9,044	10,175	11,691	10,693	14,511	15,801	11,360	16,486

(1) These figures reflect restatement due to the adoption of full accrual accounting. Figures previous to 2001-2002 have been restated based on management's best estimates. These restatements have not been audited.

**TABLE 1.6**

## GOVERNMENT OF CANADA

## DETAILED STATEMENT OF NON-BUDGETARY TRANSACTIONS AND OF NON-FINANCIAL ASSETS

(in millions of dollars)

	Year ended March 31										
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
<b>Loans, investments and advances —</b>											
Enterprise Crown corporations and other government business enterprises —											
Loans and advances —											
Canada Deposit Insurance Corporation .....	-66	991	533	772	460	395					
Canada Mortgage and Housing Corporation .....	105	240	571	325	230	410	223	224	226	218	
Farm Credit Canada .....	-68	-35	214	-197	630	836	236	226	578		
Other .....	402	21	80	25	24	60	58	-38		63	
	373	1,217	1,398	925	1,344	1,701	517	412	804	281	
Investments —											
Share of annual profit .....	-1,140	-1,928	-1,873	-1,858	-2,281	-2,507	-2,562	-3,274	-2,482	-2,962	
Dividends .....	1,480	1,587	1,857	1,371	1,555	2,566	1,792	1,990	2,078	1,881	
Capital .....	-25	-151	2,157	-104	-103	-152	-27	65	89	-67	
	315	-492	2,141	-591	-829	-93	-797	-1,219	-315	-1,148	
	Total .....	688	725	3,539	334	515	1,608	-280	-807	489	-867
Other loans, investments and advances —											
Portfolio investments .....					3,074	59	1				
National governments including developing countries .....	-52	152	61	147	215	-477	198	2	219	684	
International organizations .....	-255	211	-85	-52	1,607	-209	42	-228	-20	61	
Provincial and territorial governments .....	-25	235	167	155	-255	-60	-553	-963	385	-194	
Other .....	-127	-234	-573	-392	-118	-754	341	-1,239	-1,624	-1,827	
	-459	364	2,644	-142	1,508	-1,500	29	-2,428	-1,040	-1,276	
Total loans, investments and advances .....	229	1,089	6,183	192	2,023	108	-251	-3,235	-551	-2,143	
Allowance for valuation .....	-438	-1,386	-1,899	-72	-326	616	-312	53	380	-49	
Total loans, investments and advances after allowance for valuation .....	-209	-297	4,284	120	1,697	724	-563	-3,182	-171	-2,192	
<b>Pension and other liabilities —</b>											
Public sector pensions .....	6,186	6,936	6,849	6,323	3,252	4,950	5,939	839	-2,264	-1,213	
Other employee and veteran future benefits .....	266	234	513	205	248	555	216	1,667	612	564	
Due to Canada Pension Plan .....	-111	678	230	82	487	1,222	790	174	379	323	
Other liabilities .....	167	1,045	567	460	90	852	239	231	282	712	
Total pension and other liabilities .....	6,508	8,893	8,159	7,070	4,077	7,579	7,184	2,911	-991	386	
<b>Non-financial assets —</b>											
Tangible capital assets .....	-2,774	-1,427	-1,294	-655	-543	-1,332	-23	434	-1,510	-1,310	
Inventories .....	-108	-179	-225	-169	-188	-150	-141	-333	153	325	
Prepaid expenses .....	-9	-9	-10	-10	-11	-11	-12	-12	-264	107	
Total non-financial assets .....	-2,891	-1,615	-1,529	-834	-742	-1,493	-176	89	-1,621	-878	
<b>Other transactions —</b>											
Tax receivables .....			-1,089	-1,841	-773	-1,296	-1,159	-1,483	-5,251	2,967	
Other receivables .....	-69	120	-1,541	1,710	381	-516	169	550	-239	325	
Provincial and territorial tax collection agreements account .....	-151	870	1,058	352	-551	1,267	-1,402	-824	-1,139	-934	
Tax payables .....		1,002	1,134	1,030	2,503	1,264	966	3,221	1,254	-735	
Other liabilities .....	5,086	3,097	4,098	1,598	5,031	1,053	-3,175	2,393	-5,612	-400	
Total other transactions .....	4,866	4,000	2,908	3,917	6,068	1,909	-4,925	89	-2,769	264	
<b>Net non-budgetary transactions after allowance for valuation .....</b>											
	8,274	10,981	13,822	10,273	11,100	8,719	1,520	-93	-5,552	-2,420	

**TABLE 1.7**

**GOVERNMENT OF CANADA**  
**DETAILED STATEMENT OF FOREIGN EXCHANGE, UNMATURED DEBT AND CASH TRANSACTIONS**  
 (in millions of dollars)

	Year ended March 31									
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Foreign exchange transactions—</b>										
International reserves held in the Exchange Fund										
Account .....	-2,277	-1,200	-4,552	-7,818	-1,472	-3,657	-6,775	-9,215	-822	3,818
International Monetary Fund—Subscriptions .....	-844	-990	853	285	101	-4,854	658	-424	-7	-121
Less: International Monetary Fund—Notes payable .....	<b>-3,121</b>	<b>-2,190</b>	<b>-3,699</b>	<b>-7,533</b>	<b>-1,371</b>	<b>-8,511</b>	<b>-6,117</b>	<b>-9,639</b>	<b>-829</b>	<b>3,697</b>
Special drawing rights allocations .....	-841	-586	851	174	766	-2,693	634	-835	947	623
Total foreign exchange transactions .....	-152	-179	154	52	18	-118	75	-28	-22	
	<b>-993</b>	<b>-765</b>	<b>1,005</b>	<b>226</b>	<b>784</b>	<b>-2,811</b>	<b>709</b>	<b>-863</b>	<b>947</b>	<b>601</b>
Total foreign exchange transactions .....	<b>-2,128</b>	<b>-1,425</b>	<b>-4,704</b>	<b>-7,759</b>	<b>-2,155</b>	<b>-5,700</b>	<b>-6,826</b>	<b>-8,776</b>	<b>-1,776</b>	<b>3,096</b>
<b>Unmatured debt transactions—</b>										
Marketable bonds .....	27,142	25,142	28,660	32,744	15,788	9,575	-866	1,046	-1,107	-5,598
Treasury bills .....	3,950	-1,550	1,650	-30,700	-23,100	-15,350	2,900	-11,150	5,523	10,371
Canada savings and										
Canada premium bonds .....	-2,947	43		2,010	-2,701	-2,107	-1,173	-390	-2,340	-1,382
Non-marketable bonds and notes .....	-8	-9	-10	-10	-12	607	-511	-79	-82	-19
Canada notes .....			310	1,811	-456	-404	-208	527	-378	42
Canada bills and other .....	3,097	3,397	-2,061	1,450	920	815	-4,163	43	-5,748	-5,933
Total unmatured debt transactions .....	<b>31,234</b>	<b>27,023</b>	<b>28,549</b>	<b>7,305</b>	<b>-9,561</b>	<b>-6,864</b>	<b>-4,021</b>	<b>-10,003</b>	<b>-4,132</b>	<b>-2,519</b>
<b>Cash at end of year—</b>										
In Canadian currency .....	1,330	1,307	8,968	10,063	11,605	10,662	14,468	15,772	11,313	16,436
In foreign currencies .....	105	76	76	112	86	31	43	29	47	50
Total cash .....	<b>1,435</b>	<b>1,383</b>	<b>9,044</b>	<b>10,175</b>	<b>11,691</b>	<b>10,693</b>	<b>14,511</b>	<b>15,801</b>	<b>11,360</b>	<b>16,486</b>

## GLOSSARY OF TERMS

The following terms are used in this section and throughout the financial statements in Section 2 of this Volume. The definitions are taken from three primary sources:

- 1- The Vocabulary of Government Finance Management, Terminology Bulletin 232, PWGSC.
- 2- The CICA Public Sector Accounting Handbook.
- 3- Glossary of Frequently-Used Terms, Finance Canada.
- Accounts of Canada –  
The centralized record of the financial transactions of the Government of Canada, maintained by the Receiver General. The accounts of Canada summarize revenues, expenses, asset and liability transactions.
- Accrued Benefit Obligation –  
The value of future benefits attributed to services rendered by employees and former employees to the accounting date.
- Accumulated Deficit –  
The accumulated net total of all past federal deficits and surpluses since Confederation. The accumulated deficit is also equal to total liabilities less total assets – both financial and non-financial.
- Actuarial Valuation for Accounting Purposes –  
An assessment of the financial status of a benefit plan. It consists of the valuation of assets held to discharge the benefit liability and calculation of the actuarial present value of benefits to be paid under the plan. The valuation results in a calculation of the required future contributions or payments and a determination of any gains or losses since the last valuation.
- Allowance –  
Estimated potential losses on the realization of government financial claims or estimated financial obligations that would not otherwise be recorded in the financial statements.
- Appropriation –  
Any authority of Parliament to pay money out of the Consolidated Revenue Fund.
- Capital Lease –  
A lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of property to the lessee.
- Consolidated Revenue Fund –  
The aggregate of all public moneys that are on deposit at the credit of the Receiver General for Canada.

- Consumer Price Index (CPI) –  
A measure of price changes produced by Statistics Canada on a monthly basis. The CPI measures the retail prices of a “shopping basket” of about 300 goods and services including food, housing, transportation, clothing and recreation. The index is “weighted”, meaning that it gives greater importance to price changes for some products than others – more to housing, for example, than to entertainment – in an effort to reflect typical spending patterns. Increases in the CPI are also referred to as increases in the cost of living.
- Contingency Reserve –  
Funds set aside in the fiscal projections to cushion against changes in the economy. When this reserve is not otherwise used, it is applied to the accumulated deficit.
- Contingent Liability –  
A potential debt which may become an actual financial obligation if certain events occur or fail to occur.
- Contractual Commitment –  
A written obligation to outside organizations or individuals as a result of a contract.
- Defined Benefit Pension Plan –  
A plan that specifies either the benefits to be received by employees after retirement or the method for determining those benefits.
- Enterprise Crown Corporation –  
A corporation which is not dependent on parliamentary appropriations and whose principal activity and source of revenues are the sale of goods and/or services to outside parties. An enterprise Crown corporation is ultimately accountable to Parliament, through a minister of the Crown, for the conduct of its affairs.
- Financial Assets –  
An asset on hand at the end of the accounting period, which could provide resources to discharge existing liabilities or finance future operations. Financial assets include cash and assets that are convertible into cash and are not intended for consumption in the normal course of activities.
- Full Accrual Accounting –  
The method of recording transactions by which revenues and expenses are reflected in the determination of results for the period in which they are considered to have been earned and incurred, respectively, whether or not such transactions have been settled finally by the receipt or payment of cash or its equivalent.

- **G-7 (Group of Seven) –**  
The G-7 consists of the world's seven largest industrial market economies: the United States, Japan, Germany, France, Britain, Italy and Canada. The leaders of these countries meet annually to discuss political and economic issues of mutual concern. In addition, G-7 finance ministers meet several times a year to discuss economic policy. Their work is supported by regular, functional meetings of officials, including the G-7 Finance Deputies.
- **Gross Domestic Product –**  
The total value of all goods and services produced within Canada during a given year. It is a measure of the income generated by production within Canada. Also referred to as annual economic output or, more simply, output. To avoid counting the same output more than once, GDP includes only final goods and services – not those that are used to make another product. GDP would not include the wheat used to make bread, but would include the bread itself.
- **Net Book Value of Tangible Capital Assets –**  
The cost of tangible capital assets less both accumulated amortization and the amount of any write-downs.
- **Net Debt –**  
The total liabilities of the government less its financial assets.
- **Non-Financial Assets –**  
An asset on hand at the end of the accounting period, which could not normally be converted to cash to pay off the debt, without disrupting government operations.
- **Operating Lease –**  
A lease in which the lessor retains substantially all the benefits and risks of ownership.
- **Public Money –**  
All money belonging to Canada received or collected by the Receiver General or any other public officer in his official capacity or any person authorized to receive or collect such money.
- **Real Return Bonds –**  
These bonds pay semi-annual interest based on a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on real return bonds are adjusted for changes in the consumer price index.
- **Reserve for Economic Prudence –**  
Funds set aside in the fiscal projections in addition to the contingency reserve. This reserve provides further assurance against falling back into deficit.
- **Surplus –**  
The amount by which government revenue exceeds expenses in any given year.
- **Swap –**  
An agreement that exchanges one type of return or financial instrument for another (e.g. a fixed for a floating rate of interest).
- **Tangible Capital Asset –**  
A non-financial asset having physical substance that:
  - (i) is held for use in the production or supply of goods and services;
  - (ii) has a useful economic life extending beyond an accounting period; and
  - (iii) has been acquired to be used on a continuing basis.
- **Transfer Payments –**  
A transfer of money from a government to an individual, an organization or another government for which the government making the transfer does not:
  - (i) receive any goods or services directly in return as would occur in a purchase/sales transaction;
  - (ii) expect to be repaid in the future, as would be expected in a loan; or
  - (iii) expect a financial return, as would be expected in an investment.



# SECTION 2

2002-2003

*PUBLIC ACCOUNTS OF CANADA*

## Financial Statements of the Government of Canada and Report and Observations of the Auditor General

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**PREFACE TO THE  
FINANCIAL STATEMENTS  
OF THE GOVERNMENT OF CANADA**

The fundamental purpose of the financial statements is to provide information to Parliament, and thus to the public, to facilitate an understanding and evaluation of the full nature and extent of the financial affairs and resources for which the Government is responsible. The financial statements reflect the financial position of the Government at the reporting date, as well as its results of operations, accumulated deficit, change in net debt and cash flow.

The two fundamental concepts underlying the Government's accounting system are found in the Constitution Acts: first, that all duties and revenues received, other than those reserved to the provinces, "shall form One Consolidated Revenue Fund" (CRF); second, that the balance of the CRF, after certain prior charges, "shall be appropriated by the Parliament of Canada".

The right of Canada to raise taxes and revenues is contained in the Constitution Acts, and is given specific form in various Acts passed by Parliament. Revenues can be raised and moneys can be spent or borrowed by the Government only with the authority of Parliament. All receipts of money by departments and agencies must be deposited into the CRF. All disbursements from the CRF for spending on operations, for loans, investments and advances, and for the redemption of matured debt, must be authorized by Parliament, through annual appropriation acts and other statutes.

Wholly-owned Crown corporations that are agents of Her Majesty also may borrow only as authorized by Acts of Parliament. Such Acts usually place a ceiling on the amount of borrowings that can be outstanding at any one time. Non-agent Crown corporations and other government business enterprises can borrow without specific parliamentary authority, although such borrowings are sometimes guaranteed by the Government with the authority of Parliament.

The financial statements consist of five statements and accompanying notes.

The first is the **Statement of Operations**, which presents the Government's revenues, expenses and the surplus for the year.

The second is the **Statement of Accumulated Deficit**, which presents the changes in accumulated deficit, including those due to changes in accounting policies. The accumulated deficit is the net accumulation of the annual surpluses and deficits since Confederation.

The third is the **Statement of Financial Position**, which discloses the Government's cash balances and investments, amounts owing to and by the Government at the end of the year, and the Government's non-financial assets such as its tangible capital assets and inventories. It also presents both the accumulated deficit of the Government and its net debt which is the difference between the Government's total liabilities and its financial assets.

The fourth is the **Statement of Change in Net Debt**, which explains the difference between the Government's annual surplus and the change in the net debt for the year. It reports the extent to which revenues recognized in the year were sufficient to offset expenditures, as opposed to the expenses recognized in the annual surplus.

The fifth is the **Statement of Cash Flow**, which provides information on the Government's cash provided by or used for operating, capital, investing and financing activities.

As was announced in the February 2003 Budget, the supplementary statement reporting the transactions under the *Debt Servicing and Reduction Account Act* has been discontinued with the repeal of the Act.

Other sections in this volume together with Volume II of the *Public Accounts of Canada*, provide more detailed supplementary information in respect of matters reported in the financial statements. The report of the Auditor General on the financial statements does not extend to this supplementary information.

## STATEMENT OF RESPONSIBILITY

The financial statements in this section are prepared by the Government of Canada in accordance with the accounting policies set out in Note 1. During the current fiscal year, the Government adopted the full accrual basis of accounting. Previously the financial statements were prepared on the modified accrual basis of accounting. The most significant changes relate to the timing of the recognition of tax revenues and certain liabilities, and the recording of non-financial assets on the Statement of Financial Position. These changes have been made on a retrospective basis and the prior year's financial statements have been restated to conform with the full accrual basis of accounting. Details of these changes and their impact on the financial statements are explained in note 2. The format and presentation of the financial statements have also changed from the prior year as a result of new recommendations issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Responsibility for the integrity and objectivity of the financial statements rests with the Government. The financial statements are prepared under the joint direction of the President of the Treasury Board, the Minister of Finance, and the Receiver General for Canada in compliance with governing legislation. The information included in these financial statements is based on the Government's best estimates and judgement, with due consideration given to materiality.

To fulfill its accounting and reporting responsibilities, the Government maintains systems of financial management and internal control which give due consideration to costs, benefits and risks. These systems are designed to provide reasonable assurance that transactions are properly authorized by Parliament, are executed in accordance with prescribed regulations, and are properly recorded so as to maintain accountability of public money and safeguard the assets and properties of Canada under Government administration. The Receiver General for Canada maintains the accounts of Canada, a centralized summary record of the Government's financial transactions, and obtains additional information as required, from departments, agencies, Crown corporations and other government business enterprises to meet accounting and reporting requirements.

The Government presents the financial statements to the Auditor General of Canada who audits them and provides an independent opinion to the House of Commons. The duties of the Auditor General in that respect are contained in section 6 of the *Auditor General Act*. Additional information is provided in the observations of the Auditor General at the end of this section.

Annually, the financial statements are tabled in Parliament as part of the *Public Accounts of Canada*, and are referred to the Standing Committee on Public Accounts, which reports to Parliament on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.

On behalf of the Government of Canada,

JIM JUDD  
Secretary of the Treasury Board and  
Comptroller General of Canada

KEVIN G. LYNCH  
Deputy Minister of Finance

I. DAVID MARSHALL  
Deputy Receiver General for  
Canada



**REPORT OF THE AUDITOR GENERAL  
ON THE  
FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA**

To the House of Commons:

**OPINION ON THE FINANCIAL STATEMENTS**

I have audited the statement of financial position of the Government of Canada as at March 31, 2003 and the statements of operations, change in net debt, accumulated deficit and cash flow for the year then ended. These financial statements are the responsibility of the Government. My responsibility, as required by section 6 of the *Auditor General Act*, is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Government of Canada as at March 31, 2003 and the results of its operations, the changes in its net debt and its cash flow for the year then ended in accordance with the stated accounting policies of the Government set out in Note 1 to the financial statements. As required by section 6 of the *Auditor General Act*, I report that, in my opinion, these policies have been applied, after giving retroactive effect to the changes in accounting policies as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

**OTHER MATTERS FOR PARLIAMENT'S ATTENTION**

In forming my opinion as to the fair presentation of these financial statements in accordance with the Government's stated accounting policies, I decided to continue to draw Parliament's attention to two matters. This is the third consecutive year that I have included these matters in my Report.

**Compliance with the Employment Insurance Act.** The balance of the Employment Insurance Account increased by \$3.3 billion during the year to \$43.8 billion as at March 31, 2003. The *Employment Insurance Act* requires that all money collected for EI purposes be credited to the EI Account. The balance in the Account can only be reduced by charges for EI benefits and administration. In my view, Parliament did not intend for the Account to accumulate a surplus beyond what could reasonably be spent for EI purposes, given the existing benefit structure and providing for an economic downturn. The current surplus is now about three times the maximum reserve that the Chief Actuary of Human Resources Development Canada considered sufficient in 2001. Accordingly, in my opinion, the Government did not observe the intent of the *Employment Insurance Act*.

**Transfers to Foundations.** The Government accounts for significant amounts of public money it provides to various foundations as expenses, even though the money is provided to them long before – in some cases more than 10 years before – it is actually spent for its ultimate intended purposes. Over the past seven years, the Government has transferred some \$8.7 billion to these foundations. Under its stated accounting policies, it has recorded these amounts as expenses (\$1.2 billion in the year ended March 31, 2003), even though \$7.8 billion is still in the foundations' bank accounts and

investments or is receivable from the Government. In my view, these stated accounting policies did not contemplate situations in which the funds would not be used for the ultimate intended purposes within the year of transfer or shortly thereafter.

I continue to urge the Government to review recent and developing recommendations of the Canadian Institute of Chartered Accountants' Public Sector Accounting Board relevant to the transfers to foundations – with a view to reconsidering how they are accounted for in its financial statements.

I am also very concerned about the accountability and governance arrangements for these foundations. While the Government has proposed some improvements, I am concerned that accounting considerations may be preventing the Government from making all necessary improvements. I urge the Government to implement proper accountability and governance structures for the foundations and not constrain itself from achieving this end by a desire to achieve a particular accounting result.

#### **ADDITIONAL INFORMATION**

Additional information and comments on the financial statements and this Report are included in my Observations at the end of Section 2, Volume I of the *2003 Public Accounts of Canada*.



Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
September 29, 2003

## GOVERNMENT OF CANADA

Statement of Operations  
for the Year Ended March 31, 2003

(in millions of dollars)

	2003	2002
	Budget	Actual
<b>REVENUES</b>		
<b>TAX REVENUES —</b>		
Income tax —		
Personal .....	92,200	89,530
Corporate .....	21,900	22,222
Other income tax revenues .....	2,900	3,291
	<b>117,000</b>	<b>115,043</b>
Other taxes and duties —		
Goods and services tax .....	28,700	28,248
Energy taxes .....	4,900	4,992
Customs import duties .....	3,200	3,221
Other excise taxes and duties .....	4,800	4,896
	<b>41,600</b>	<b>41,357</b>
	<b>158,600</b>	<b>156,400</b>
<b>TOTAL TAX REVENUES</b> .....	<b>158,600</b>	<b>156,400</b>
<b>EMPLOYMENT INSURANCE PREMIUMS</b> .....	<b>18,300</b>	<b>17,870</b>
<b>OTHER REVENUES —</b>		
Crown corporation revenues .....	4,000	5,305
Other program revenues .....	7,300	7,278
Foreign exchange revenues .....	2,900	3,379
	<b>14,200</b>	<b>15,962</b>
<b>TOTAL OTHER REVENUES</b> .....	<b>14,200</b>	<b>15,962</b>
<b>TOTAL REVENUES</b> .....	<b>191,100</b>	<b>190,232</b>
<b>EXPENSES (Note 4)</b>		
<b>TRANSFER PAYMENTS —</b>		
Old age security benefits, guaranteed income supplement and spouse's allowance .....	25,800	25,692
Other levels of government .....	32,800	30,645
Employment insurance benefits .....	15,000	14,496
Canada child tax benefits .....	8,000	7,823
Other transfer payments .....	20,000	20,076
	<b>101,600</b>	<b>98,732</b>
<b>TOTAL TRANSFER PAYMENTS</b> .....	<b>101,600</b>	<b>98,732</b>
<b>OTHER PROGRAM EXPENSES —</b>		
Crown corporation expenses .....	6,400	6,551
National Defence .....	11,700	11,318
All other departments and agencies .....	31,300	29,392
	<b>49,400</b>	<b>47,261</b>
<b>TOTAL OTHER PROGRAM EXPENSES</b> .....	<b>49,400</b>	<b>47,261</b>
<b>TOTAL PROGRAM EXPENSES</b> .....	<b>151,000</b>	<b>145,993</b>
<b>PUBLIC DEBT CHARGES</b> .....	<b>37,100</b>	<b>37,270</b>
<b>TOTAL EXPENSES</b> .....	<b>188,100</b>	<b>183,263</b>
<b>ANNUAL SURPLUS</b> .....	<b>3,000</b>	<b>6,969</b>

The accompanying notes are an integral part of these statements.

Details (unaudited) can be found in other sections of this volume.

**GOVERNMENT OF CANADA****Statement of Accumulated Deficit  
for the Year Ended March 31, 2003**

(in millions of dollars)

	2003	2002
	Restated (Note 2)	
<b>ACCUMULATED DEFICIT, BEGINNING OF YEAR — PREVIOUSLY REPORTED.....</b>	<b>517,545</b>	<b>545,396</b>
<b>CHANGES IN ACCOUNTING POLICIES (Note 2)</b>		
Tangible capital assets .....	-42,785	
Other employee and veteran future benefits .....	34,466	
Tax revenues .....	-11,024	
Other liabilities .....	10,008	
Inventories and prepaid expenses .....	-7,527	
Investments in enterprise Crown corporations .....	-3,970	
<b>TOTAL OPENING BALANCE ADJUSTMENT .....</b>	<b>-20,832</b>	
<b>ACCUMULATED DEFICIT, BEGINNING OF YEAR — RESTATED .....</b>	<b>517,545</b>	<b>524,564</b>
<b>ANNUAL SURPLUS BEFORE CHANGES IN ACCOUNTING POLICIES.....</b>	<b>5,411</b>	<b>8,907</b>
Net impact of changes in accounting policies (Note 2) .....	1,558	-1,888
<b>ANNUAL SURPLUS .....</b>	<b>6,969</b>	<b>7,019</b>
<b>ACCUMULATED DEFICIT, END OF YEAR (Note 5) .....</b>	<b>510,576</b>	<b>517,545</b>

The accompanying notes are an integral part of these statements.  
 Details (unaudited) can be found in other sections of this volume.

## GOVERNMENT OF CANADA

Statement of Financial Position  
at March 31, 2003

(in millions of dollars)

	2003	2002
	Restated (Note 2)	
<b>LIABILITIES</b>		
<i>ACCOUNTS PAYABLE AND ACCRUED LIABILITIES —</i>		
Accounts payable and accrued liabilities .....	37,731	35,286
Tax payables .....	33,549	34,284
Interest and matured debt .....	4,302	7,807
Allowance for guarantees .....	3,802	4,076
<b>TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES.....</b>	<b>79,384</b>	<b>81,453</b>
<i>INTEREST-BEARING DEBT —</i>		
Unmatured debt —		
Payable in Canadian currency .....	418,611	415,239
Payable in foreign currencies .....	21,141	27,032
<b>Total unmatured debt (Note 6) .....</b>	<b>439,752</b>	<b>442,271</b>
Pension and other liabilities —		
Public sector pensions (Note 7) .....	125,708	126,921
Other employee and veteran future benefits (Note 7) .....	38,844	38,280
Due to Canada Pension Plan (Note 8) .....	7,093	6,770
Other liabilities .....	9,359	8,647
<b>Total pension and other liabilities .....</b>	<b>181,004</b>	<b>180,618</b>
<b>TOTAL INTEREST-BEARING DEBT .....</b>	<b>620,756</b>	<b>622,889</b>
<b>TOTAL LIABILITIES.....</b>	<b>700,140</b>	<b>704,342</b>
<b>FINANCIAL ASSETS</b>		
<i>CASH AND ACCOUNTS RECEIVABLE —</i>		
Cash .....	16,486	11,360
Tax receivables (Note 9) .....	43,597	45,605
Other accounts receivable (Note 9) .....	2,543	2,868
<b>TOTAL CASH AND ACCOUNTS RECEIVABLE .....</b>	<b>62,626</b>	<b>59,833</b>
<b>FOREIGN EXCHANGE ACCOUNTS (Note 10) .....</b>	<b>48,950</b>	<b>52,046</b>
<i>LOANS, INVESTMENTS AND ADVANCES —</i>		
Enterprise Crown corporations and other government business enterprises (Notes 11 and 14) .....	14,555	13,688
National governments, including developing countries and international organizations .....	6,597	7,342
Other loans, investments and advances .....	12,034	10,013
Less allowance for valuation .....	33,186	31,043
<b>TOTAL LOANS, INVESTMENTS AND ADVANCES .....</b>	<b>9,438</b>	<b>9,487</b>
<b>TOTAL FINANCIAL ASSETS .....</b>	<b>23,748</b>	<b>21,556</b>
<b>TOTAL FINANCIAL ASSETS .....</b>	<b>135,324</b>	<b>133,435</b>
<b>NET DEBT .....</b>	<b>564,816</b>	<b>570,907</b>
<b>NON-FINANCIAL ASSETS</b>		
<i>Tangible capital assets (Note 12) .....</i>		
Tangible capital assets (Note 12) .....	47,034	45,724
Inventories .....	6,113	6,438
Prepaid expenses .....	1,093	1,200
<b>TOTAL NON-FINANCIAL ASSETS .....</b>	<b>54,240</b>	<b>53,362</b>
<b>ACCUMULATED DEFICIT (Note 5) .....</b>	<b>510,576</b>	<b>517,545</b>

The accompanying notes are an integral part of these statements.  
Details (unaudited) can be found in other sections of this volume.

**GOVERNMENT OF CANADA****Statement of Change in Net Debt  
for the Year Ended March 31, 2003**

(in millions of dollars)

	2003		2002
	Budget	Actual	Actual
			Restated (note 2)
<b>NET DEBT, BEGINNING OF YEAR — PREVIOUSLY REPORTED .....</b>	<b>570,900<sup>(1)</sup></b>	<b>570,907</b>	<b>545,396</b>
<b>CHANGES IN ACCOUNTING POLICIES</b>			
Other employee and veteran future benefits .....			34,466
Tax revenues .....			-11,024
Other liabilities .....			10,008
Investments in enterprise Crown corporations .....			-3,970
Tangible capital assets .....			1,429
<b>TOTAL OPENING BALANCE ADJUSTMENT .....</b>			<b>30,909</b>
<b>NET DEBT, BEGINNING OF YEAR — RESTATED .....</b>	<b>570,900</b>	<b>570,907</b>	<b>576,305</b>
<b>CHANGE IN NET DEBT DURING THE YEAR</b>			
Annual surplus .....	-3,000	-6,969	-7,019
Changes due to tangible capital assets			
Acquisition of tangible capital assets .....	4,400	5,051	4,485
Amortization of tangible capital assets .....	-3,000	-3,341	-2,583
Proceeds from disposal of tangible capital assets .....		-288	-56
Loss on disposal of tangible capital assets .....		-112	-336
<i>Total changes due to tangible capital assets .....</i>	<i>1,400</i>	<i>1,310</i>	<i>1,510</i>
Changes due to inventories .....		-325	-153
Changes due to prepaid expenses .....		-107	264
<b>NET DECREASE IN NET DEBT.....</b>	<b>-1,600</b>	<b>-6,091</b>	<b>-5,398</b>
<b>NET DEBT, END OF YEAR .....</b>	<b>569,300</b>	<b>564,816</b>	<b>570,907</b>

The accompanying notes are an integral part of these statements.

Details (unaudited) can be found in other sections of this volume.

<sup>(1)</sup> The amount of the March 31, 2002 restated net debt presented in Budget 2003 was estimated from calculations that were not yet finalized and audited. This amount in the budget comparison has been adjusted to reflect the actual amount.

**GOVERNMENT OF CANADA****Statement of Cash Flow  
for the Year Ended March 31, 2003**

(in millions of dollars)

	2003	2002
	Restated (Note 2)	
<b>OPERATING ACTIVITIES —</b>		
<b>ANNUAL SURPLUS .....</b>	<b>6,969</b>	<b>7,019</b>
Items not affecting cash		
Share of annual profit in enterprise Crown corporations and other government business enterprises .....	-2,962	-2,482
Amortization of tangible capital assets .....	3,341	2,583
Loss on disposal of tangible capital assets .....	112	336
Changes in inventories and prepaid expenses .....	432	-111
Changes in pension and other liabilities .....	386	-991
Changes in foreign exchange accounts .....	3,096	-1,776
Net change in other accounts .....	215	-2,390
<b>CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<b>11,589</b>	<b>2,188</b>
<b>CAPITAL INVESTMENT ACTIVITIES —</b>		
Acquisitions of tangible capital assets .....	-5,051	-4,485
Proceeds from disposal of tangible capital assets .....	288	56
<b>CASH USED BY CAPITAL INVESTMENT ACTIVITIES .....</b>	<b>-4,763</b>	<b>-4,429</b>
<b>INVESTING ACTIVITIES —</b>		
Enterprise Crown corporation and other government business enterprise net repayments .....	2,095	2,971
Other loans, investments and advances issued .....	-5,895	-4,980
Other loans, investments and advances repayments .....	4,619	3,941
<b>CASH PROVIDED BY INVESTING ACTIVITIES .....</b>	<b>819</b>	<b>1,932</b>
<b>TOTAL CASH GENERATED OR REQUIRED (-) BEFORE FINANCING ACTIVITIES .....</b>	<b>7,645</b>	<b>-309</b>
<b>FINANCING ACTIVITIES —</b>		
Canadian currency borrowings issued .....	309,145	257,925
Canadian currency borrowings repayments .....	-305,773	-255,931
Foreign currencies borrowings issued .....	17,297	23,412
Foreign currencies borrowings repayments .....	-23,188	-29,538
<b>CASH USED BY FINANCING ACTIVITIES .....</b>	<b>-2,519</b>	<b>-4,132</b>
<b>NET INCREASE OR DECREASE (-) IN CASH .....</b>	<b>5,126</b>	<b>-4,441</b>
<b>CASH AT BEGINNING OF YEAR .....</b>	<b>11,360</b>	<b>15,801</b>
<b>CASH AT END OF YEAR .....</b>	<b>16,486</b>	<b>11,360</b>
<b>SUPPLEMENTARY INFORMATION</b>		
Cash used for interest .....	21,574	23,798

The accompanying notes are an integral part of these statements.  
Details (unaudited) can be found in other sections of this volume.

# Notes to the Financial Statements of the Government of Canada

## 1. Summary of Significant Accounting Policies

### Reporting entity

The reporting entity of the Government of Canada includes all departments, agencies, corporations and funds which are owned or controlled by the Government and which are accountable to Parliament. The financial activities of all these entities are consolidated in these financial statements, except for enterprise Crown corporations and other government business enterprises, which are not dependent on the Government for financing their activities. These corporations are reported under the modified equity basis of accounting.

The Canada Pension Plan is excluded from the reporting entity because it is under the joint control of the Government and participating provinces.

### Basis of accounting

The Government reports all revenues and expenses on an accrual basis. Tax revenues are accounted for in the period in which the revenue arose. Assets are valued at the lower of cost or net realizable value. Liabilities and financial obligations to outside organizations are recorded at the estimated amount ultimately payable. Both financial assets and non-financial assets are reported on the Statement of Financial Position. Non-financial assets are charged to expense through amortization or upon utilization. Non-financial assets are not taken into consideration when determining the net debt of the Government, but rather are deducted from the net debt to determine the accumulated deficit.

### Revenues

Government tax revenues are derived from exchange transactions between third parties. They are recognized, on an accrual basis, in the period in which the event that gave rise to the revenue took place. Income tax revenue is recognized when the taxpayer has earned the income subject to the tax. Domestic goods and services tax revenue is recognized at the time of the sale of goods or the provision of services and is presented on the Statement of Operations net of tax credits. Excise duties revenue is recognized when the taxpayer manufactures goods taxable under the *Excise Act*. Excise tax revenue is recognized when a taxpayer sells goods taxable under the *Excise Act*. Customs duties and goods and services tax revenue on imports is recognized when goods are authorized to enter Canada.

Tax revenues are measured from amounts assessed and from estimates of amounts not assessed based on cash received. Annual revenues also include adjustments between

the estimated revenues of previous years and actual amounts, as well as revenues from reassessments relating to prior years. Revenues do not include estimates for amounts of unreported taxes.

Tax revenues that were not collected at year-end or refunds that were not yet disbursed are reported respectively as tax receivables and tax payables on the Statement of Financial Position. These amounts also include other receivables and payables for amounts collected through the tax system such as Employment Insurance premiums.

Other revenues are recognized in the period to which they relate. Employment Insurance premiums are recognized as revenue in the period the insurable earnings are earned.

### Expenses

Expenses for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenses when paid, when the recipient has fulfilled the terms of a contractual transfer agreement, or, in the case of transactions which do not form part of an existing program, when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.

Expenses include provisions to reflect changes in the economic value of assets or liabilities, including provisions for bad debts, provisions for loans, investments and advances, and inventory obsolescence. Expenses also include amortization of tangible capital assets and utilization of inventories and prepaid expenses.

Premiums and discounts on public debt are amortized on a straight line basis over the term to maturity of the respective debt instrument. The corresponding amortization is recorded as part of public debt charges.

### Non-financial assets

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and are amortized to expense over the useful lives of the assets. For certain tangible capital assets where the costs are not readily available, such as older buildings, estimated current costs have been extrapolated back in time in a systematic and rational manner to approximate original costs.

Inventories are comprised of spare parts and supplies that are held for future program delivery and are not intended for resale. They are valued at cost. Inventories that no longer have service potential are valued at the lower of cost or net realizable value. Items for which the costs are not readily available have been valued using management's best estimates of original cost based on available information.

### Concessionary loans

Loans made on a long-term, low-interest or interest-free basis, and investments in organizations that make similar loans, are recorded in full or in part as expenses when the economic value of these loans is reduced due to their concessionary terms.

### Sovereign loans

Loans to sovereign governments are considered collectible unless they are formally repudiated by the debtor. However, the Government has established valuation allowances on the expectation that debt or debt service relief may be offered to certain sovereign debtors pursuant to multilateral or bilateral agreements.

### Pensions and other employee and veteran future benefits

Employees' entitlements to pension benefits and to other employee and veteran future benefits are reported on an actuarial basis. This process is intended to determine the current value of future entitlements and uses various estimates. When actual experience varies from estimates, the adjustments are amortized over the estimated average remaining service lives of the employees.

### Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

### Environmental liabilities

Environmental liabilities reflect the estimated costs related to the management and remediation of environmentally contaminated sites. Based on management's best estimates, a liability is accrued and an expense recorded when the contamination occurs or when the Government becomes aware of the contamination and is obligated, or is likely to be obligated to incur such costs. If the likelihood of the Govern-

ment's obligation to incur these costs is either not determinable or unlikely, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

### Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated using rates at March 31. Gains and losses resulting from foreign currency translation are reported on the Statement of Operations according to the activities to which they relate. Net gains and losses relating to the Foreign Exchange Accounts, foreign debt and swap revaluations are presented with investment revenues from foreign exchange accounts under foreign exchange revenues. Net gains and losses related to sovereign loans are presented with the return on investments from these loans under other program revenues. Net gains and losses relating to departmental sale or purchase of goods or services in foreign currency are presented against departmental program expenses under other program expenses.

### Use of estimates and measurement uncertainty

The preparation of financial statements requires the Government to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported. By their nature, these estimates are subject to measurement uncertainty. The effect of changes to such estimates and assumptions in future periods could be significant to the financial statements, although, at the time of their preparation, the Government believes the estimates and assumptions to be reasonable. Some of the more significant estimates used in these financial statements affect the accrual of tax revenues and the related amounts receivable and payable, including the liabilities under provincial and territorial tax collection agreements, valuation allowances for loans including sovereign debt, investments and advances, borrowings of Crown corporations and other government business enterprises, obligations for pensions and other employee and veteran future benefits, future payments related to contingent liabilities, environmental liabilities and transfer payments to other levels of government.

### Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.

## 2. Changes in Accounting Policies

In 2002-2003, the Government changed its basis of accounting from modified accrual to full accrual. The Government also changed the presentation and format of its financial statements to comply with new recommendations

of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants for the presentation of financial statements of senior governments in Canada. These changes were accomplished through the introduction of a number of new accounting policies. The major changes are as follows:

*i. Tax revenues*

Tax revenues are now reported in the year in which they are earned rather than when the cash is received. Tax receivables and tax refunds payable are recorded as assets and liabilities on the Statement of Financial Position. In addition, tax revenues received on the first business day following the fiscal year are no longer included in previous year's revenues. This change reduced the prior year's balance of cash shown on the Statement of Financial Position.

*ii. Non-financial assets*

Non-financial assets which include tangible capital assets, inventories and prepaid expenses are now recorded as assets on the Statement of Financial Position, rather than being expensed upon acquisition. The costs of buildings, equipment and other capital assets are amortized to expense based on the useful life of the assets. Inventories and prepaid expenses are charged to expense upon utilization. Assets acquired under capital leases were previously expensed when lease payments were made, while they are now recorded with tangible capital assets and amortized to expense and their liabilities are presented with other liabilities. Certain items that were previously classified as deferred costs have been reclassified as tangible capital assets, which has affected the opening balance of the net debt calculation previously reported.

*iii. Other employee and veteran future benefits*

Liabilities have been set up to record the Government's obligation to provide future benefits to employees, former employees and veterans under various future benefit plans. These include benefits relating to health and dental plans for retirees, workers' compensation and disability and other benefits payable to veterans. These benefits were previously recorded on a pay-as-you-go basis. Their costs are now recognized either over the active career of employees when the benefits are earned, or when events giving rise to the liability occur. The obligations are determined actuarially. An interest component is charged annually to expense and actuarial gains and losses are amortized to future years.

*iv. Other liabilities*

Liabilities have been recorded for environmental and aboriginal claims. The estimated cost of cleaning-up contamination on federal sites is now recorded as a liability and an expense when the contamination occurs or is

discovered, rather than when the clean-up occurs. Aboriginal claims are now recorded as liabilities and expensed when they are determined to be likely and estimable. Previously they were recorded as liabilities at a later point in time, such as following a Court decision or approval of a settlement agreement.

*v. Investments in enterprise Crown corporations and other government business enterprises*

The investment in enterprise Crown corporations and other government business enterprises is now recorded in full compliance with the modified equity method of accounting. In 1992, a change in accounting policy was applied prospectively to record the annual share of the Government's net profit and losses of these corporations. The initial investment in the corporations had not been adjusted at the time. Their carrying value on the Statement of Financial Position has now been increased to correspond to the net book value of these corporations, after adjusting for unrealized inter-organizational gains.

All of these changes were applied retroactively, with restatement of the 2001-2002 financial statements. The impact of these changes on the previously reported opening balance of the 2001-2002 accumulated deficit and net debt is presented on the Statement of Accumulated Deficit and on the Statement of Change in Net Debt. The impact of these changes on the current and previous year's results is presented below:

	(in millions of dollars)	
	2003	2002
Increase or decrease (-) in annual surplus due to:		
Tax revenues .....	1,263	-2,941
Tangible capital assets, inventories and prepaid expenses .....	880	1,675
Other employee and veteran future benefits .....	-374	-433
Other .....	-211	-189
Total .....	1,558	-1,888

The main changes that affect the presentation of the financial statements are the recording of tangible capital assets, inventories and prepaid expenses as assets on the Statement of Financial Position and their recognition as an expense in accordance with their utilization as opposed to when they are acquired. This new financial statement presentation format introduces a new category of assets on the Statement of Financial Position: non-financial assets. It also results in the annual surplus and accumulated deficit now being calculated using an expense basis of accounting as opposed to the former expenditure basis. Under the previous modified accrual accounting basis, the accumulated deficit consisted of the Government's liabilities less its financial assets. This calculation is now referred to as the "Net Debt"

and is shown separately on the Statement of Financial Position. A new statement called the Statement of Change in Net Debt reconciles the annual surplus calculated on an expense basis to the annual change in net debt.

### 3. Spending and Borrowing Authorities

#### i. Spending authorities

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes. During the year, the Government adopted the full accrual method of accounting to prepare its Budget and present its current financial statements. However, the spending authorities voted by Parliament remain on an expenditure basis, which uses only a partial accrual method of accounting. During the year, expenditures were made under the following authorities:

	(in millions of dollars)	
	2003	2002
Annual spending limits voted by Parliament .....	62,101	60,112
Expenditures permitted under other legislation .....	99,056	100,672
Total budgetary expenditures authorized .....	161,157	160,784
Less amounts available for use in subsequent years and amounts that have lapsed, net of overexpended amounts .....	4,372	3,856
Total used .....	156,785	156,928
Effect of consolidation and full accrual accounting .....	26,478	19,729
<b>Total expenses .....</b>	<b>183,263</b>	<b>176,657</b>

The use of budgetary expenditure authorities reported in the preceding table differs from the total expenses reported in the Statement of Operations. The difference is due to various factors. Spending authorities are presented on a partial accrual basis, while the Statement of Operations is prepared on a full accrual basis. Certain accounts with separate non-budgetary authorities and certain Crown corporations are consolidated with the Government's financial statements but are not included in the budgetary expenditure authorities available for use. Provisions for valuation of assets and liabilities are also not included in spending authorities.

In addition to the authorities for budgetary expenditures, non-budgetary spending of \$39,749 million (\$44,656 million in 2002) was authorized for loans, investments and advances. A net amount of \$1,809 million was used (\$3,893 million in 2002), an amount of \$131 million lapsed (\$164 million in 2002) and an amount of \$37,808 million is available for use in subsequent years (\$40,598 million in 2002).

Details (unaudited) about the source and disposition of authorities and the details of ministerial expenditures are provided in Volume II (Part I) of the *Public Accounts of Canada*.

#### ii. Over-expenditure of spending authorities

During the year, the Office of the Information Commissioner of Canada Program Vote 40, the Office of the Privacy Commissioner of Canada Program Vote 45, and the National Defence Research Fellowship—Emergency Planning grant were each overexpended by less than \$10 million.

Details (unaudited) of the overexpended votes and authorities can be found in the ministerial sections of Volume II (Part I) of the *Public Accounts of Canada*.

#### iii. Borrowing authorities

The Government may borrow only on the authority of Parliament. An authority to borrow up to \$4,000 million is available from previous fiscal years. This authority was not used in fiscal year 2002-2003 and remains available for future years.

#### iv. Comparison of results against budget

The budget amounts included in the Statements of Operations and Change in Net Debt are derived from the February 18, 2003 Budget (Budget 2003), the first budget to be prepared on a full accrual basis. However, Budget 2003 was presented on a net basis. Adjustments have therefore been made to present the budgeted amounts on a comparable gross basis to actual reported amounts.

The following table reconciles the Budget 2003 amounts initially presented to the basis of accounting used in these financial statements:

	(in millions of dollars)						
	Revenues			Expenses			
	Personal income tax	Crown corporation revenues	Other program revenues	Canada child tax benefits	Crown corporation expenses	National Defence	All other departments and agencies
Presented in Budget 2003.....	84,200	2,400	4,500		4,800	11,200	29,000
Add amounts							
netted in Budget:							
Child tax benefit payments.....	8,000			8,000			
Crown corporation expenses.....		1,600			1,600		
Departmental revenues netted against expenses.....			2,800			500	2,300
Revised budgeted amounts.....	92,200	4,000	7,300	8,000	6,400	11,700	31,300

#### 4. Expenses

Expenses in the Statement of Operations are as follows:

##### i. Transfer payments to other levels of government

	(in millions of dollars)	
	2003	2002
Canada health and social transfer.....	21,100	17,300
Fiscal arrangements.....	10,879	11,603
Other.....	987	375
Alternative payments for standing programs <sup>(1)</sup> .....	-2,321	-2,662
Total expenses.....	30,645	26,616

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

<sup>(1)</sup> This amount represents reduced transfer payments to a province that has entered into an arrangement under which the Federal Government provides an abatement for personal income taxes to taxpayers of that province.

##### ii. Other transfer payments by ministry

	(in millions of dollars)	
	2003	2002
Agriculture and Agri-Food .....	2,654	1,897
Finance .....	1,013	1,769
Foreign Affairs and International Trade .....	2,456	2,405
Health .....	1,619	1,617
Human Resources Development .....	1,602	1,698
Indian Affairs and Northern Development .....	4,649	4,557
Industry .....	2,322	2,628
Veterans Affairs .....	1,704	1,557
Other ministries and provisions .....	2,057	193
Total expenses .....	20,076	18,321

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

##### iii. Other program expenses by ministry excluding National Defence

	(in millions of dollars)	
	2003	2002
Agriculture and Agri-Food .....	1,097	1,124
Canada Customs and Revenue Agency .....	5,613	4,941
Fisheries and Oceans .....	1,473	1,344
Foreign Affairs and International Trade .....	1,670	1,506
Health .....	1,643	1,643
Human Resources Development .....	2,719	2,442
Industry .....	2,131	2,116
Public Works and Government Services .....	2,405	2,033
Solicitor General .....	4,222	4,326
Treasury Board .....	1,461	1,421
Other ministries and provisions .....	4,958	6,807
Total expenses .....	29,392	29,703

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

*iv. Public debt charges*

	(in millions of dollars)	
	2003	2002
Public debt charges related to unmatured debt —		
Interest on unmatured debt.....	20,543	22,742
Amortization of discounts on Canada and Treasury Bills .....	2,879	3,666
Amortization of premiums, discounts and commissions on all other debts .....	1,664	859
Servicing costs and costs of issuing new borrowings.....	119	134
Total .....	25,205	27,401
Interest expense related to employee pensions and other future benefits .....	11,382	11,515
Other.....	683	735
Total public debt charges.....	37,270	39,651

Details (unaudited) can be found in Section 3 of this volume.

*v. Expenses by type of resources used in the operations*

The Statement of Operations and the previous tables present a breakdown of expenses by ministry, which represent the expenses incurred for each of the main functions of the Government. The following table presents the detail of these expenses broken down by the main objects of expense:

Objects of expense	(in millions of dollars)	
	2003	2002
Transfer payments .....	98,732	90,775
Other program expenses		
Crown corporations <sup>(1)</sup> .....	6,166	5,852
Personnel.....	21,773	19,314
Transportation and communications .....	2,366	2,217
Information .....	327	361
Professional and special services .....	5,306	5,072
Rentals.....	1,157	974
Repair and maintenance .....	2,072	1,943
Utilities, materials and supplies .....	2,195	2,142
Other subsidies and expenses .....	2,446	5,437
Amortization expenses .....	3,341	2,583
Loss on disposal of assets .....	112	336
Total other program expenses .....	47,261	46,231
Total program expenses.....	145,993	137,006
Public debt charges .....	37,270	39,651
Total expenses .....	183,263	176,657

Details (unaudited) reconciling objects of expense to objects of expenditure can be found in Section 3 of this Volume and details (unaudited) on ministerial expenditures by objects can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

<sup>(1)</sup> The amount presented for the object of expense of Crown corporations differs from the expense shown on the Statement of Operations due to the amortization expenses and loss on disposal of assets of consolidated Crown corporations, which are presented with their respective objects of expense.

*vi. Significant transactions**Supplements to Canada Health and Social Transfer (CHST) and Diagnostic/Medical Equipment Fund (DMEF)*

In Budget 2003, the Government announced a decision to provide one-time supplements of \$2,500 million to the CHST and \$1,500 million to the DMEF from funds available in fiscal year 2002-2003. Legislation authorizing the payment to the trust accounts received parliamentary approval in June 2003. The Government recorded these transactions as a liability at March 31, 2003 and charged \$4,000 million to transfer payments to other levels of government.

**5. Accumulated Deficit**

The Government includes in its revenues and expenses, the transactions of consolidated Crown corporations and of certain accounts established for specified purposes. Legislation requires that the revenues of these specified purpose accounts be identified and that related payments be charged against such revenues. Any deficiency of payments over revenues must be met through future revenues from these accounts. The following table shows the balances of these consolidated accounts and the retained earnings of the consolidated Crown corporations included in the accumulated deficit:

	(in millions of dollars)	
	2003	2002 <sup>(1)</sup>
Accumulated deficit, excluding consolidated accounts.....	556,751	560,722
Consolidated accounts —		
Employment Insurance Account .....	-43,796	-40,530
Western Grain Stabilization Account .....	1,085	1,085
Other insurance accounts .....	170	-384
Other consolidated accounts .....	-295	-278
Consolidated Crown corporations .....	513,915	520,615
Accumulated deficit .....	3,339	-3,070
Accumulated deficit .....	510,576	517,545

Details (unaudited) can be found in Section 4 of this volume.

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in note 2.

## 6. Unmatured Debt and Other Financial Instruments

### i. Unmatured debt

The following table presents maturity of debt issues and interest rates by currency and type at face value.

Maturing year	(in millions of dollars)							
	Marketable bonds			Canada bills		Notes <sup>(4)</sup>		
	Canadian \$	Foreign currency expressed in Canadian \$ <sup>(1)</sup>	Treasury bills	Canada savings and Canada premium bonds <sup>(2)</sup>	Non-marketable bonds and notes <sup>(3)</sup>	US \$ expressed in Canadian \$	Foreign currency expressed in Canadian \$	Total
2004 .....	31,727	141	104,600	1,618	20	2,603	95	140,804
2005 .....	40,788	2,936		1,908	17		1,467	47,116
2006 .....	26,209	2,202		1,186	240		622	30,459
2007 .....	18,016	1,468		1,708	1,352			22,544
2008 .....	20,316	468		3,559	700		109	25,152
2009 and subsequent .....	152,152	7,266		12,605	1,042		2,226	175,291
	289,208	14,481	104,600	22,584	3,371	2,603	4,519	441,366
Less Government's holdings of unmatured debt <sup>(5)</sup> .....	963	462	189					1,614
	288,245	14,019	104,411	22,584	3,371	2,603	4,519	439,752
Nature of interest rate <sup>(6)</sup>	Fixed <sup>(7)</sup>	Fixed	Variable	Variable	Fixed	Variable	Fixed <sup>(8)</sup>	
Effective weighted average annual interest rates								
including swaps .....	6.30	5.07	3.04	3.43	10.14	1.12	2.36	
Range of interest rates .....	3.5-14.0	0.945-9.70	2.67-3.66	1.30-7.00	3.15-14.06	0.98-1.63	0.70-4.50	

Details (unaudited) can be found in Section 6 of this volume.

(1) Includes marketable bonds that were issued in US dollars and in other currencies.

(2) Includes \$16,084 million of Canada saving bonds that are redeemable on demand.

(3) Non-marketable bonds and notes are comprised of \$3,369 million of bonds issued to the Canada Pension Plan, and of \$2 million of promissory notes issued to the Canada Health and Social Transfer Supplement Trust for Health Care.

(4) Foreign currency notes are comprised of Canada notes and Euro medium-term notes issued in US dollars and other foreign currencies.

(5) Includes \$339 million of securities held for the retirement of unmatured debt.

(6) Debt with maturity terms of less than one year is considered to have a variable interest rate. For marketable bonds and foreign currency notes, some of the fixed interest rates were converted into variable interest rates through swap agreements.

(7) Includes real return bonds which have a variable component based on the consumer price index.

(8) Includes medium-term notes which have variable rates.

### ii. Derivative financial instruments and foreign currency contracts

#### (a) Swap agreements

Government debt is issued at both fixed and variable interest rates and is denominated in Canadian dollars, US dollars and other currencies. The Government has entered into interest rate and cross currency swap agreements to facilitate management of its debt structure. In the case of interest rate swap agreements, fixed interest rate funding has been converted to variable rates tied to the Banker's Acceptance rates or London Interbank Offered Rates (LIBOR). In the case of cross currency swap agreements, Canadian dollar and other foreign currency debt has been converted into US dollars or other foreign currencies with either fixed interest rates

or variable interest rates. As a normal practice, the Government's swap positions are held to maturity.

The interest paid or payable and the interest received or receivable on all swap transactions are recorded as part of public debt charges. Unrealized gains or losses due to fluctuations in the foreign exchange value of the swaps are presented with the accounts payable and accrued liabilities on the Statement of Financial Position and recognized as part of foreign exchange revenues in the Statement of Operations.

Swaps with contractual or notional principal amounts outstanding at March 31, 2003 are as follows:

Maturing year	(in millions of dollars)			
	2003		2002	
	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$
2003 .....				3,490
2004 .....	50	3,608	50	3,658
2005 .....		4,956		4,981
2006 .....		4,616		4,061
2007 .....		1,416		1,387
2008 .....	37	3,287	40	3,295
2009 and subsequent .....	1,762	11,537	1,913	9,033
	1,849	29,420	2,003	29,905

(b) Credit risk to swap agreements

The Government manages its exposure to credit risk by dealing principally with financial institutions having credit ratings from at least two recognized rating agencies, one of which must be Moody's or Standard & Poor's. At the time of inception of the agreement, the credit rating of the institution must be at least A-.

The Government does not have a significant concentration of credit risk with any individual institution and does not anticipate any credit loss with respect to its swap agreements.

The following table presents the notional amounts of the swap agreements by ratings assigned by Standard & Poor's:

Standard & Poor's	(in millions of dollars)	
	2003	2002
AAA .....	2,706	2,510
AA+ .....	4,277	3,550
AA .....	3,126	6,692
AA- .....	8,849	12,099
A+ .....	12,271	7,057
A .....	40	
	31,269	31,908

(c) Foreign currency contracts

The Government entered into forward currency transactions to hedge against exchange rate fluctuations relating to Canada's Reserve Position in the International Monetary Fund (IMF), which forms part of Canada's foreign exchange accounts. Canada's IMF Reserve Position is denominated in Special Drawing Rights (SDRs). The hedging transactions involved the forward purchase and sale of the composite currencies of the SDRs (i.e. Euro, US dollar, Pound sterling and Japanese yen). These hedges are being unwound and only forward sales against the US dollar are outstanding as of March 31, 2003.

As at March 31, 2003 the notional value of these outstanding forward currency contracts is \$1,504 million in forward sale contracts in US dollars (\$2,402 million in 2002, of which \$2,340 million of forward currency contracts were in US dollars and \$62 million in Euros). There is no unrealized gain or loss associated with these contracts (\$3 million gain in 2002). All forward currency transactions have a maximum term of about 12 months or less. During fiscal year 2002-2003, the Government managed its exposure to forward currency contract counterparties by dealing with financial institutions having a credit rating from recognized credit rating agencies of at least A+.

### *iii. Obligation related to capital leases*

The Government's total obligation related to capital leases as at March 31, 2003 is \$2,664 million (\$2,619 million in 2002). These amounts are reported with other liabilities, as an interest-bearing debt on the Statement of Financial Position. Interest on the obligation related to capital leases of \$146 million (\$137 million in 2002) is included in expenses as part of public debt charges. Future minimum lease payments are summarized as follows:

Maturing year	(in millions of dollars)
2004 .....	290
2005 .....	284
2006 .....	272
2007 .....	273
2008 .....	261
2009 and subsequent .....	3,820
Total minimum lease payments .....	5,200
Less : Imputed interest at the average rate of 7.2% .....	2,536
Obligation related to capital leases .....	2,664

Details (unaudited) can be found in Section 6 of this volume.

### *iv. Fair values of financial instruments*

#### *(a) Financial assets and liabilities*

The following table presents the carrying value and the fair value of financial assets and liabilities. Fair values are Government estimates and are generally calculated using market conditions at a specific point in time where a market exists. Fair values of instruments with a short life span or of a non-negotiable nature are assumed to approximate carrying

values. Fair values may not reflect future market conditions nor the actual values obtainable should the instrument be exchanged on the market. The calculations are subjective in nature and involve inherent uncertainties due to unpredictability of future events.

	(in millions of dollars)					
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
<b>Financial Assets</b>						
Cash and accounts receivable .....	62,626	62,626	0	59,833	59,833	0
Foreign exchange accounts .....	48,950	51,149	2,199	52,046	57,510	5,464
Loans, investments and advances excluding investments in enterprise Crown corporations.....	14,639	16,545	1,906	13,595	15,059	1,464
<b>Liabilities</b>						
Accounts payable and accrued liabilities.....	79,384	79,384	0	81,453	81,453	0
Unmatured debt .....	439,752	453,077	-13,325	442,271	461,483	-19,212
Public sector pensions .....	125,708	125,796	-88	126,921	119,813	7,108
Other employee and veteran future benefits .....	38,844	40,872	-2,028	38,280	38,475	-195
Other interest bearing debts .....	16,452	16,452	0	15,417	15,417	0
Net fair value in excess of carrying value.....			-11,336			-5,371

Comparative figures have been reclassified to conform to the current year's presentation.

Fair values are determined using the following methods and assumptions:

The carrying values of short-term financial instruments are assumed to approximate their fair values due to their short-term maturity. These include cash, tax and other accounts receivable, accounts payable and accrued liabilities, and the amount due to Canada Pension Plan.

Fair values of the securities and gold reserves held in the foreign exchange accounts are established using market quotes or other available market information. Financial claims and obligations with the International Monetary Fund denominated in foreign currencies are reported at Canadian dollar equivalents at March 31, which are assumed to approximate fair value.

Fair values of loans to enterprise Crown corporations are generally established by using their carrying values. For portfolio or temporary investments, fair values are established using stock market quotes or other available information.

Fair values of other loans, investments and advances are assumed to approximate carrying values since allowances are used to reduce the carrying value of these items to amounts that approximate their estimated realizable value.

For marketable bonds denominated in Canadian dollars and foreign currencies, treasury bills issued in Canadian dollars, Euro medium-term notes and Canada notes, fair values are established using market quotes or the discounted cash flow calculated using year-end market interest and exchange rates. Fair values of other instruments comprising the unmatured debt are deemed to approximate carrying values due to their short life span or their non-negotiable nature.

The fair values of pension and other employee and veteran future benefits liabilities are assumed to approximate the actuarial value of the accrued benefit obligations net of the fair values of the pension plan assets which are established at market value for investments and at a discounted net present value for other plan assets.

*(b) Derivative financial instruments and foreign currency contracts*

The following table presents the fair value of derivative financial instruments and foreign currency contracts with contractual or notional principal amounts outstanding at March 31:

	(in millions of dollars)			
	2003		2002	
	Notional value	Fair value	Notional value	Fair value
Interest rate and cross currency swaps .....	31,269	-1,479	31,908	-1,006
Foreign currency contracts —				
Forward sales .....	1,504	nil	2,402	3

Fair values of the swap and forward currency contract agreements are the estimated amount that the Government would receive or pay, based on market factors, if the agreements were terminated on March 31. They are established by discounting the expected cash flows of the swap or forward

currency contract agreements by using fiscal year-end market interest and exchange rates. A positive (negative) fair value indicates that the Government would receive (make) a payment if the agreements were terminated.

## 7. Public Sector Pensions and Other Employee and Veteran Future Benefits

The Government sponsors defined benefit pension plans covering substantially all of its employees (including the Public Service, Canadian Forces, Royal Canadian Mounted Police and certain Public Service corporations) as well as federally appointed judges and Members of Parliament. For the main plans, pension benefits generally accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Since April 1, 2000, the net amount of contributions less benefits and payments related to post March 2000 service for the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans is invested in capital markets. These plans are generally funded from employee contributions, employer contributions, and investment earnings. Contributions and payments pertaining to the pre April 2000 service and other pension plans, which are not invested externally, are recorded in pension accounts within the Accounts of Canada pursuant to pension legislation.

The following presents a summary of the main pension transactions in the period:

	(in millions of dollars)					
	2003			2002		
	Funded plans	Others	Total	Funded plans	Others	Total
<b>Contributions</b>						
Employees . . . . .	960	87	1,047	839	92	931
Public Service corporations . . . . .	123	23	146	109	16	125
Government . . . . .	2,488	395	2,883	2,190	311	2,501
Total . . . . .	3,571	505	4,076	3,138	419	3,557
Benefits paid . . . . .	29	5,814	5,843	11	5,690	5,701

Details (unaudited) can be found in Section 6 of this volume.

The Government also sponsors a variety of other future benefit plans from which employees and former employees (including former military or Royal Canadian Mounted Police members) can benefit, during or after employment or upon retirement. The cost of these benefits can accrue either during the service life of employees or upon occurrence of an event giving rise to the liability under the terms of the plans. The Government is liable for future payments for the disability and other benefits paid to war veterans, as well as the Canadian Forces retired veterans and still-serving members, their beneficiaries and dependants. Other significant future benefits for which the Government is liable include the health care and dental plans available to retired employees

and their dependants, severance benefits, and workers' compensation benefits.

All these plans are unfunded. The health care and dental plans are contributory plans, whereby contributions by retired plan members are made in the year in which the benefits are payable. These contributions amounted to \$76 million in 2003 (\$76 million in 2002). The Government's costs and benefits paid are presented net of these contributions.

The pension and other employee and veteran future benefit liability at March 31 includes the following components:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2003	2002 <sup>(1)</sup>	2003	2002
<b>Accrued benefit obligation</b> . . . . .				
Less: Pension plan assets —				
Investments at market related value . . . . .	8,905	5,872		
Contributions receivable from employees for past service . . . . .	455	440		
Total . . . . .	9,360	6,312		
Unamortized estimation adjustments . . . . .	124,987	119,587	40,872	38,475
Pension and other employee and veteran future benefit liability . . . . .	721	7,334	-2,028	-195
	125,708	126,921	38,844	38,280

Details (unaudited) can be found in Section 6 of this volume.

<sup>(1)</sup> The 2002 pension obligation includes \$2,300 million for amounts awaiting transfer to new separate plans of Crown corporations that left the Public Service Pension Plan in 2001.

Pension plan assets include marketable investments and contributions receivable from employees for past service elections. The investments are valued at market related values, whereby the fluctuations between the market and expected market value are averaged over a five-year period,

within a ceiling of plus or minus 10 percent of the market value. At March 31, the market value of the investments is \$8,096 million (\$5,647 million in 2002). Contributions receivable for past service are discounted to approximate their fair value.

The pension and other employee and veteran future benefits related expense includes the following components:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2003	2002	2003	2002
Net expense related to employee pensions and other future benefits —				
Net benefits earned .....	2,290	2,199	968	920
Amortization of estimation adjustments.....	-2,174	-2,347	5	
Plan amendment costs.....	17			
Recognition of net unamortized gains .....	-17			
Total .....	116	-148	973	920
Interest expense related to employee pensions and other future benefits—				
Interest on average accrued benefit obligations .....	9,614	9,688	2,240	2,106
Expected return on average pension plan assets .....	-472	-279		
Total .....	9,142	9,409	2,240	2,106
Total expense related to employee pensions and other future benefits .....	9,258	9,261	3,213	3,026

Details (unaudited) can be found in Section 6 of this volume.

The interest expense calculated on the average actuarial obligations is reported as part of public debt charges and is presented net of the expected return on average pension plan assets. During the year, the actual rate of return of marketable investments calculated on a time-weighted basis was minus 13.5 percent (2.7 percent in 2002).

The changes in the accrued benefit obligations and in the pension investments valued at their market related value during the year were as follows:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2003	2002	2003	2002
Accrued benefit obligation — Beginning of the year .....	125,899	124,044	38,475	37,665
Benefits earned .....	3,401	3,175	968	920
Interest on average accrued benefit obligations.....	9,614	9,688	2,240	2,106
Benefits paid .....	-5,843	-5,701	-2,616	-2,379
Administrative expenses.....	-74	-66	-33	-32
Net transfers to other plans .....	-2,282	-4,756		
Plan amendments .....	17			
Actuarial gains (-) or losses .....	3,615	-485	1,838	195
Accrued benefit obligation — End of the year .....	134,347	125,899	40,872	38,475
Market related value of investments — Beginning of the year .....	5,872	2,763		
Expected return on plan assets .....	472	279		
Contributions .....	3,571	3,138		
Benefits, transfers and other .....	-189	-141		
Actuarial losses .....	-821	-167		
Market related value of investments —End of the year .....	8,905	5,872		

Actuarial valuations of the pension plans are performed triennially for funding purposes. The valuations for pensions and for other employee and veteran future benefits are updated annually for accounting purposes, using the Government's best estimates as assumptions and the projected benefit method prorated on service. Many assumptions are required for this process, including estimates of future inflation, interest rates, expected return on investments, general wage increases, work-force composition, retirement rates and mortality rates. Estimation adjustments arise when actual experience varies from estimates and will be amortized over periods ranging from 7 to 14 years.

The assumptions for the long-term rate of inflation and long-term general wage increase used in the accounting valuations are respectively 2 percent and 3 percent (2 percent and 3 percent in 2002). At March 31, the expected rate of return on pension investments and the average Government long-term bond rate assumed in relation to the pension plans are 6.25 percent and 7.8 percent respectively (6.25 percent and 8.0 percent in 2002). The discount rate used to value the liability for other employee and veteran future benefits is 5.8 percent (6.0 percent in 2002). Changes in assumptions can result in significantly higher or lower estimates of liabilities. The following table illustrates the possible impact of a one percent change in the main assumptions:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2003	2002	2003	2002
<b>Possible impact on liabilities due to:</b>				
Increase of one percent in discount rates .....	-15,700	-14,800	-3,900	-3,700
Decrease of one percent in discount rates .....	17,500	18,600	4,800	4,600
Increase of one percent in inflation .....	15,600	14,800	4,100	4,000
Decrease of one percent in inflation .....	-12,800	-12,200	-3,400	-3,400
Increase of one percent in general wage increases .....	3,700	2,900	300	300
Decrease of one percent in general wage increases .....	-3,300	-2,700	-300	-300

## 8. Due to Canada Pension Plan

As explained in Note 1, the financial activities of the Canada Pension Plan (the Plan) are not included in these financial statements.

The Plan is a federal/provincial program for compulsory and contributory social insurance. It operates in all parts of Canada, except for the Province of Quebec, which has a comparable program. The Plan is administered by the Government of Canada under joint control with the participating provinces. Payments of pensions and benefits from the Plan are financed from contributions by employers, employees and self-employed persons, and from the income earned on investments. As administrator, the Government's authority to spend is limited to the Plan's net assets of \$53,673 million (\$51,708 million in 2002).

The Canada Pension Plan Account (the Account) was established in the Accounts of Canada to record the transactions of the Plan, as well as the amounts transferred to or received from the Canada Pension Plan Investment Fund and the Canada Pension Plan Investment Board.

The Plan's deposit with the Receiver General for Canada of \$7,093 million (\$6,770 million in 2002) corresponds to the balance in the Account and is reported as the Government's liability to the Plan at March 31.

Additional information (unaudited) and the audited financial statements of the Plan are included in Section 6 of this volume. Additional information on the funding of the Plan may be obtained from the *Nineteenth Actuarial Report on the Canada Pension Plan* prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions.

## 9. Tax and Other Accounts Receivable

Tax receivables represent tax revenues that were assessed by year-end as well as amounts receivable due to the accrual of tax revenues as at March 31. These accrued receivables are not due for payment until the next fiscal year. They also include other receivables for amounts collected through the tax system such as Employment Insurance premiums.

The Government has established an allowance for doubtful accounts of \$7,175 million (\$6,762 million in 2002) in relation to the total tax receivables. It also recorded a provision for bad debt of \$2,091 million (\$1,773 million in 2002), which is presented against other program expenses. The details of the allowance for doubtful accounts is as follows:

	(in millions of dollars)			
	2003		2002	
	Total tax receivables	Allowance for doubtful accounts	Net	Net
Income tax receivables				
Individuals .....	24,273	3,311	20,962	21,212
Employers.....	10,204	645	9,559	9,760
Corporations.....	5,243	1,074	4,169	5,005
Non-residents.....	825	333	492	395
Goods and services tax receivable .....	9,571	1,734	7,837	8,725
Customs duties receivable.....	126	38	88	82
Excise taxes and duties receivable .....	530	40	490	426
Total .....	50,772	7,175	43,597	45,605

Other accounts receivable represent billed or accrued financial claims arising from amounts owed to the Government at year-end. They amount to \$3,586 million (\$4,010 million in 2002) and are presented net of an allowance for doubtful accounts of \$1,043 million (\$1,142 million in 2002). Further details (unaudited) can be found in Section 7 of this volume.

## 10. Foreign Exchange Accounts

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. The Government keeps certain investments in its Exchange Fund Account to promote orderly conditions in the foreign exchange market for the Canadian dollar. Further details on these investments are provided in the audited financial statements of the Exchange Fund Account in Section 8 of this volume.

The following table presents the balances of foreign exchange accounts:

	(in millions of dollars)	
	2003	2002
International reserves held in the Exchange Fund Account .....	44,849	48,667
International Monetary Fund — Subscriptions.....	12,942	12,821
	57,791	61,488
Less: International Monetary Fund — Notes payable .....	7,270	7,893
	1,571	1,549
	8,841	9,442
Total foreign exchange accounts.....	48,950	52,046

Details (unaudited) can be found in Section 8 of this volume.

## 11. Crown Corporations and Other Government Business Enterprises

The Government wholly owns forty-three Crown corporations. Some of these Crown corporations rely on the Government for most of their financing. There are twenty-three such corporations whose financial activities are consolidated in these financial statements. The major consolidated Crown corporations are Atomic Energy of Canada Limited, Canadian Broadcasting Corporation, Marine Atlantic Inc. and VIA Rail Canada Inc. Details (unaudited) of these corporations are included in Section 4 of this volume.

Other Crown corporations are government business enterprises that are able to raise substantial portions of their revenues through commercial business activity and are self-sustaining. These Crown corporations are called enterprise Crown corporations. The major enterprise Crown corporations include the Bank of Canada, Canada Mortgage and Housing Corporation, Canada Post Corporation and Export Development Canada.

There is also a number of self-sustaining government business enterprises that are not considered Crown corporations within the meaning of the *Financial Administration Act*, but which are owned or controlled by the Government and accountable to either Parliament or to a Minister. These are referred to as other government business enterprises. The major other government business enterprises include the Canadian Wheat Board and the Port Authorities of Halifax, Montreal, Quebec and Vancouver.

For enterprise Crown corporations and other government business enterprises, the Government records these investments under the modified equity method, whereby the cost of its equity is reduced by dividends received and adjusted to include the annual net profits and losses of these corporations, after elimination adjustments of unrealized inter-organizational gains and losses. Their assets and liabilities are not included in these financial statements, except for their borrowings which are recorded as liabilities of the Government when they are not expected to be repaid directly by these corporations. The Government also reports any amounts receivable from or payable to these corporations. Under the modified equity basis of accounting, the corporations' accounts are not adjusted to the Government's basis of accounting. Most corporations follow generally accepted accounting principles used by private sector companies.

The following tables present the Government's recorded investment in significant enterprise Crown corporations and other government business enterprises as well as their summary financial results.

	(in millions of dollars)	
	2003	2002
<b>Loans and advances</b>		
Canada Mortgage and Housing Corporation .....	5,408	5,626
Other .....	38	101
<b>Total loans and advances .....</b>	<b>5,446</b>	<b>5,727</b>
<b>Investments</b>		
Export Development Canada .....	2,078	1,986
Canada Mortgage and Housing Corporation .....	1,950	1,378
Business Development Bank of Canada .....	1,170	960
Canada Post Corporation .....	960	907
Farm Credit Canada .....	843	746
Canada Deposit Insurance Corporation .....	539	486
Other .....	1,569	1,498
<b>Total investments .....</b>	<b>9,109</b>	<b>7,961</b>
<b>Total .....</b>	<b>14,555</b>	<b>13,688</b>
Details (unaudited) can be found in Section 9 of this volume.		
<b>Assets</b>		
(including capital assets, inventories and prepaid expenses of \$5,971 (\$5,536 in 2002)) .....	123,532	120,981
<b>Liabilities</b>	<b>114,340</b>	<b>112,914</b>
Net equity as reported .....	9,192	8,067
Elimination adjustments .....	-83	-106
<b>Net equity .....</b>	<b>9,109</b>	<b>7,961</b>
Revenues .....	19,443	19,632
Expenses .....	16,544	17,009
Net income for the year as reported .....	2,899	2,623
Elimination adjustments .....	63	-141
Net income .....	2,962	2,482
Other changes in equity		
Dividends <sup>(1)</sup> .....	-1,881	-2,078
Capital .....	67	-89
	1,148	315
Opening net equity .....	7,961	7,646
Closing net equity .....	9,109	7,961
Contractual commitments .....	6,428	7,458
Contingent liabilities .....	2,800	2,651

Details (unaudited) can be found in Section 9 of this volume.

<sup>(1)</sup> Amounts reported as dividends include \$1,808 million (\$1,929 million in 2002) from the Bank of Canada.

## 12. Tangible Capital Assets

Tangible capital assets consist of acquired, built, developed or improved tangible assets, whose useful life extends beyond the fiscal year and which are intended to be used on an ongoing basis for producing goods or delivering services, including military activities. They include land, buildings, works and infrastructure, machinery and equipment, vehicles, leasehold improvements and assets under construction. Software and leasehold improvements include only the cost of assets acquired since April 1, 2001.

Tangible capital assets do not include immovable assets located on Indian reserves. In addition, the cost of works of art and museum collections consisting mainly of paintings, sculptures, drawings, prints, photographs, monuments, films and videos are charged to expense in the fiscal year in which they are acquired.

The cost of tangible capital assets used in Government operations is generally amortized on a straight-line basis over the estimated life of the asset as follows:

Buildings	20 to 40 years
Works and infrastructure <sup>(1)</sup>	5 to 40 years
Machinery and equipment	3 to 30 years
Vehicles	3 to 40 years
Leasehold improvements	lesser of useful life of improvement or lease term
Assets under construction	once in service, in accordance with asset type
Assets under capital leases	in accordance with asset type

<sup>(1)</sup> Except for the Confederation Bridge, which is amortized over 100 years.

(in millions of dollars)

	Cost				Accumulated amortization				Net book value 2003	Net book value 2002
	Opening balance	Acquisitions	Disposals and write-downs	Closing balance	Opening balance	Amortization expense	Disposals	Closing balance		
Land.....	1,269	112	36	1,345					1,345	1,269
Buildings .....	15,334	627	377	15,584	6,652	556	168	7,040	8,544	8,682
Works and infrastructure .....	10,197	341	60	10,478	4,901	317	38	5,180	5,298	5,296
Machinery and equipment .....	14,752	2,410	391	16,771	7,505	1,207	299	8,413	8,358	7,247
Vehicles (ships, aircraft and others) .....	27,169	1,384	340	28,213	12,927	1,105	305	13,727	14,486	14,242
Leasehold improvements .....	680	148	5	823	266	46	1	311	512	414
Assets under construction <sup>(1)</sup> .....	6,108	-160		5,948					5,948	6,108
Assets under capital leases .....	3,034	189	2	3,221	568	110		678	2,543	2,466
Total.....	78,543	5,051	1,211	82,383	32,819	3,341	811	35,349	47,034	45,724

Details (unaudited) can be found in Section 10 of this volume.

<sup>(1)</sup> Acquisitions of assets under construction are shown net of \$634 million that were transferred to other categories upon completion of the assets.

### 13. Contractual Commitments

The nature of government activity results in some large multi-year contracts and obligations. Major contractual commitments that can be reasonably estimated are summarized as follows:

	(in millions of dollars)	
	2003	2002
Transfer payment agreements .....	16,784	17,022
Acquisition of property and equipment, and goods and services.....	7,418	8,021
Operating leases.....	3,403	2,403
International organizations .....	5,466	2,993
	33,071	30,439

Details (unaudited) can be found in Section 11 of this volume.

Estimated future expenses against these commitments are as follows:

Year	(in millions of dollars)
2004 .....	9,547
2005 .....	6,800
2006 .....	4,555
2007 .....	3,609
2008 .....	4,537
2009 and subsequent .....	4,023

Details (unaudited) can be found in Section 11 of this volume.

#### i. Transfer payment agreements

The transfer payment agreements commitments include an amount of \$8,751 million (\$8,563 million in 2002) related to various contractual obligations of the Government through the Minister's account held at Canada Mortgage and Housing Corporation (CMHC) for social housing programs. Honouring these commitments currently amounts to about \$1,700 million per year. Uncertainty in forecasting makes estimates beyond the year 2008 unreliable. Accordingly, the amounts reported for CMHC under transfer payment agreements cover only to 2008.

#### ii. Operating leases

The Government rents premises and equipment under operating leases which expire at various dates. Future minimum lease payments as at March 31, 2003, total \$3,403 million (\$2,403 million in 2002).

### 14. Contingent Liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are classified into five categories: guarantees by the Government, international organizations, contaminated sites, claims and pending and threatened litigation and insurance programs.

#### i. Guarantees by the Government

Guarantees by the Government at March 31, 2003 amount to \$60,157 million (\$60,914 million in 2002) for which an allowance of \$3,802 million (\$4,076 million in 2002) has been recorded.

#### ii. International Organizations

The Government has callable share capital in certain international organizations that could require payments to those agencies. As at March 31, 2003, callable share capital amounts to \$18,245 million (\$19,681 million in 2002).

#### iii. Contaminated sites

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites where the Government is obligated or likely to be obligated to incur such costs. The Government has identified approximately 2,200 sites where such action is possible and for which a liability of \$3,378 million (\$3,351 million in 2002) has been recorded. The Government has estimated additional clean-up costs of \$915 million (\$710 million in 2002) that are not accrued as these are not considered likely to be incurred, given the current intended use of the sites. The Government's ongoing efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued in the year in which they become known.

The Government's responsibility is limited to contaminated sites located on federal property, to contaminated sites where the Government has a contractual obligation, or to non-federal contaminated sites where the Government has accepted some or all of the responsibility for remediation and/or management.

iv. *Claims and pending and threatened litigation*

There are thousands of claims and pending and threatened litigation cases outstanding against the Government. These claims include items with pleading amounts and many where an amount is not specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. The Government has recorded an allowance for claims and litigation where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Certain large and significant claims are described below:

*Comprehensive land claims:* There are currently 73 comprehensive land claims under negotiation, accepted for negotiation or under review. To date about one third of claims have progressed to a point where quantification is possible; these approximate \$2,500 million. The remaining claims are still in the early stage of negotiations and cannot yet be quantified.

*Assessed taxes under objection or appeal:* As at March 31, 2003, an amount of \$7,641 million (\$7,859 million in 2002) of taxes assessed was under objection at Canada Customs and Revenue Agency and an amount of \$1,420 million (\$1,422 million in 2002) was being appealed to either the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada.

v. *Insurance programs*

Three agent enterprise Crown corporations operate insurance programs for the Government. In the event that the corporations have insufficient funds, the Government will have to provide financing. The Canada Deposit Insurance Corporation operates the Deposit Insurance Fund which provides basic protection coverage to depositors for up to \$60,000 deposited with each member bank, trust or loan company; Canada Mortgage and Housing Corporation operates the Mortgage Insurance Fund which provides insurance for mortgage lending on Canadian housing by private institutions and the Mortgage-Backed Securities Guarantee Fund which guarantees the timely payment of the principal and interest for investors of securities based on the *National Housing Act*; and Export Development Canada provides export and foreign investment insurance to help with export trade. At March 31, total insurance in force amounts to \$645,953 million (\$615,453 million in 2002). The Government expects that all three corporations will cover the cost of both current claims and possible future claims.

Further details (unaudited) can be found in Section 11 of this volume.

**SUPPLEMENTARY INFORMATION  
OBSERVATIONS OF THE AUDITOR GENERAL  
ON THE  
FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA  
FOR THE YEAR ENDED MARCH 31, 2003**

**MAIN POINTS**

The purpose of these Observations is to explain certain elements of my report on the financial statements of the Government of Canada as at and for the year ended March 31, 2003:

- This year, the Government has made significant improvements in its financial reporting to Canadians, adopting full accrual accounting and including a discussion and analysis of the financial statements in the *Public Accounts of Canada*. The move to full accrual accounting involved many challenges and the efforts of many public servants, who can be justly proud of the results of their hard work. This move enhances the value of the financial statements to users by presenting a more complete picture of the Government's financial position.
- Since 1997, the Government has transferred \$8.7 billion to 15 foundations. It has recorded these transfers as expenses although most of the funds remain in the foundations' bank accounts and investments, accumulating interest. I am concerned about the manner in which the foundations are funded, the accounting for these transfers and the accountability regime for these foundations. I am concerned that accounting rules may be leading the Government in its choices as to the accountability and governance structures involving foundations as well as the manner in which they are funded.
- The accumulated surplus in the Employment Insurance Account stood at \$43.8 billion at March 31, 2003. This is about three times the \$15 billion that the Chief Actuary of Human Resources Development Canada said in 2001 was the maximum amount needed. In my view, Parliament did not intend that the Account accumulate a surplus beyond what could reasonably be spent for employment insurance purposes given the existing benefit structure, while also providing for an economic downturn. Accordingly, I have concluded that the Government did not observe the intent of the *Employment Insurance Act*.
- While the Government has improved its communication of financial results, further improvements are possible. It should consult with users to determine if there are alternative ways to provide some of the information currently contained in the *Public Accounts*. Further, the Government should also consider how to expedite the production of its financial statements to allow for their more timely release, which would enhance their value to users.

**MAJOR IMPROVEMENTS IN FINANCIAL REPORTING**

This year, the Government has made a significant improvement in its financial reporting to parliamentarians and other interested Canadians. The enhancements it has made establish Canada as a world leader in financial reporting by a national government. I congratulate the Government on this significant accomplishment. In these Observations, I discuss the following significant improvements in financial reporting:

- Adoption of full accrual accounting;
- Early adoption of the Reporting Model for Senior Governments recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants;
- Addition of budget information to the financial statements to enable the comparison of actual results with budget;
- Elimination of netting of some revenues and expenses; and
- Inclusion of financial statement discussion and analysis in Volume I of the *Public Accounts of Canada*, which provides an executive overview of the summary financial statements and the significant activities during the year that affected those statements.

### Adoption of full accrual accounting

The 2002-03 Summary Financial Statements of the Government of Canada are the first it has prepared on the full accrual basis of accounting. This move shifts the focus of financial reporting from expenditures (recorded when funds are spent) to expenses (recorded when resources are used). It also results in the recording of tens of billions of dollars in additional assets and liabilities in the financial statements. These changes are described in the financial statements and include the recognition of the following items on the Statement of Financial Position as at March 31, 2003:

- \$47 billion in capital assets—such as land, buildings, ships and aircraft;
- \$35.3 billion of liabilities for benefit plans to employees and veterans for health, dental, disability and worker's compensation;
- \$33.5 billion of taxes payable and \$43.6 billion of taxes receivable, arising from the move to recognize tax revenues on an accrual basis rather than largely on a cash basis;
- \$10 billion of other liabilities related to such items as the cleanup of various contaminated sites, debt under capital lease arrangements, and additional liabilities for Aboriginal claims;
- \$6.1 billion of inventories that primarily involve military items such as munitions and other items used during military operations; and
- \$1 billion of assets related to certain prepaid expenses.

In the past, these items did not appear on Canada's statement of financial position. They were charged against the annual surplus in the year the asset was acquired, the cash received or the liability paid.

The Government has also recognized pre-1992 equity of \$4 billion in enterprise Crown corporations.

The adoption of full accrual accounting enhances the value of these financial statements to users. It provides a more complete measure of the size of government. It reduces distortions that arise through the timing of cash payments, and it properly allocates costs of expensive capital items over the life of their use, rather than in the period when they were acquired. For all these and other reasons, my Office has long held the view that the full accrual basis of accounting is superior to the Government's former basis of accounting.

The move to full accrual accounting has been a major challenge, and it required a great deal of work. For instance, a major effort went into determining the cost of capital assets acquired many years ago, well before the recording and amortizing of costs for accounting purposes was contemplated. The Government met this challenge with innovative solutions such as a tool for estimating the historical costs of real property assets. The result is a fair estimation of the costs of the Government's capital assets—which will be amortized over their remaining useful lives—providing readers with, among other things, a better estimate of the costs of government programs from year to year.

Another challenge was to estimate the cost of cleaning up various contaminated sites. The Government has enhanced its work on assessment of sites and estimates of costs and, based on assessments completed to date, has arrived at an appropriate accounting estimate of cleanup costs.

The Government has developed a methodology to accrue tax revenues, based on a combination of tax returns assessed at a certain date and cash received as a proxy for returns not yet assessed. Tax revenues are recognized in the period when the taxable activity occurs, rather than when the Government receives the cash. This change in accounting policy eliminates distortions that can result from the timing of cash receipts and payments. It also will reflect the impact of changes in tax rates in the year the changes become effective.

In summary, a great deal has been done to implement full accrual accounting. This has involved the work of many public servants throughout Government, both in individual departments and in central agencies. They can be justly proud of the results of their hard work.

## **Early adoption of reporting model for senior governments**

With the move to full accrual accounting, the Government has changed the model it uses to report its financial results. It adopted the reporting model recently recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. While PSAB would require implementation of this new model by 2005-06, the Government has implemented this model for its 2002-03 financial statements. The new model retains many features of the model it replaces while providing additional information on annual costs and non-financial assets of the Government. The model gives readers of the financial statements five messages about the state of the Government's finances:

- Net debt position (a measure of the future revenues required to pay for past transactions and events). Canada's net debt at March 31, 2003 was \$565 billion;
- Accumulated deficit position (a measure that reduces the net debt position by recognizing non-financial assets, which are resources the Government can use to provide future services). Canada's accumulated deficit at March 31, 2003 was \$511 billion;
- Annual surplus (a measure of whether the Government's revenues for the year are sufficient to cover the costs for the year). Canada's annual surplus for 2002-03 was \$7 billion;
- Change in net debt (a measure of whether the Government's revenues covered its spending for the year). Canada's net debt decreased by \$6.1 billion in 2002-03; and
- Cash flow (a presentation of the Government's sources and uses of cash). Canada's cash flow resulted in an increase in cash of \$5.1 billion in 2002-03.

These five messages are designed to eliminate a focus solely on the annual surplus or deficit and provide a more comprehensive picture of the Government's financial situation.

I am pleased that the Government has adopted this model for its financial statements.

## **Comparison of actual results with budget**

This year's Summary Financial Statements include the addition of budget information to enable a comparison of budget with actual results. This comparison completes the accountability chain for the Government by comparing final results for the year with those projected in the Budget, the document that establishes tax rates and sets out the Government's spending plans for the year. In addition to providing good information, it implements a long-standing PSAB requirement and recommendations this Office has made. While PSAB recommends that the comparison be made with the initial Budget, the comparison in this year's financial statements is with the updated figures in the February 2003 Budget—because full accrual accounting had not been implemented when the initial Budget was prepared. In the circumstances, this approach is appropriate. I understand that in future years the comparison will be made to amounts in the initial Budget.

## **Netting of revenues and expenses**

In previous years, certain amounts were presented in the *Public Accounts of Canada* on both a gross and a net basis. The latter involved the Government offsetting certain disbursements against revenues in the Statement of Operations. This netting did not impact the annual surplus, but it did show lower expenses and revenues for the year. We have raised concerns about this practice for a number of years. The items involved included: the Canada Child Tax Benefit, certain Crown corporation revenues and expenses and the GST credit, which, in my view, are properly classified as program expenses rather than a deduction from revenues. This year, the Government has eliminated netting of the larger of these items in the financial statements (with the exception of the GST credit, where the Government has chosen not to adopt my recommendation). It now discloses Crown corporation revenues and expenses and the Child Tax Benefit as separate items on the Statement of Operations. I am pleased that the Government has chosen to present these items solely on a gross basis, as I believe this more properly reflects the nature and size of the Government's revenues and expenses.

I am, however, very disappointed that the Government continues to use net amounts in its analysis of revenues and expenses in the Annual Financial Report. For the reasons described above, I am of the view that gross revenues and expenses should be used in this analysis. This would also be consistent with the Government's summary financial statements as well as the financial statement discussion and analysis contained in the *Public Accounts of Canada*.

### **Financial statement discussion and analysis**

In July 2003, the Public Sector Accounting Board issued an exposure draft on financial statement discussion and analysis. The purpose of the analysis is to provide an executive overview of the summary financial statements and the significant activities during the year that affected them and the year's fiscal results. Governments are encouraged to experiment with preparing a discussion and analysis of financial statements covering such items as:

- an acknowledgement of government's responsibility for preparing the summary financial statements;
- a financial highlights section summarizing the key messages to allow users to understand the financial statements and the financial results for the year; and
- a financial analysis and review that examines variances and trends in certain elements of financial statements, including significant risks and uncertainties.

Section 1 of this year's *Public Accounts of Canada* is a new section prepared by the Department of Finance and the Treasury Board Secretariat that presents a discussion and analysis of the current year's financial statements. This material reflects the substance of the new PSAB exposure draft, and I view it as an excellent addition to the *Public Accounts*. I applaud the work of the Government in proactively implementing this new guidance from PSAB, and I will work with the Government as it further improves the section in the future.

### **Ongoing challenges**

The Government's success in implementing accrual accounting represents a significant improvement that has positioned the Government well for the future. However, the adoption of full accrual accounting was never intended as an end in itself, but as a part of a wider initiative to improve the Government's financial management and control. For example, the recording of tens of billions of dollars of assets and liabilities should lead to the better management of these items. The Government's new accounting policies and its new financial information systems were only two elements of its Financial Information Strategy. They are essential building blocks supporting the third element of this strategy: providing government managers with access to better financial information for their day-to-day decision making.

The challenge for the Government now is to use this new accrual information effectively in its management decision making and ensure that this new basis of accounting is fully implemented in departments.

In my view, one remaining impediment to the Government's use of this information in decision making is the lack of accrual based budgeting and appropriations. It is essential that the Government resolve this issue, which I have commented on repeatedly. While I accept that this is a complex issue and needs to be considered carefully, I note that after five years of studying the issue the Government is still far from proposing a way forward. Despite the importance of this issue, I am not aware of any substantive progress by the Government in the past year. In my view, until government-wide and departmental budgeting, financial reporting, and appropriations are put on a common basis, effective financial management and control in the Government will not be achieved. (For further information on this issue see Chapter 5 of my December 2002 Report.)

### National Defence inventory

Inventories at the Department of National Defence provide an example of the challenge of implementing accrual accounting at the departmental level. Of the \$6.1 billion in government inventories, by far the largest amount belongs to National Defence; it includes items such as munitions and consumables (uniforms, machine tools, etc.). Historically, the Department had maintained inventory systems focused primarily on keeping track of quantities; as a result, cost accuracy was not emphasized and errors were made in recording costs. The introduction of full accrual accounting required the Department to validate the costs in its system. Further complicating the challenge, many items remain in inventory for a long time—over 10 years in some cases. As a result, it was difficult for the Department to determine reliably the cost of a large number of items in its inventory. It took a significant effort by the Department to arrive at a reasonable estimate of the cost of its inventory for the preparation of the Government's summary financial statements.

I note that this challenge is not unique to Canada. Many national governments that have attempted to implement accrual accounting have had difficulty determining the cost of their military inventory. In Canada's case, National Defence did a lot of added work to determine a figure for inventory costs that I could conclude was presented fairly in the context of the Government's summary financial statements. It drew statistically valid samples from its inventory, assessed the existing support for recorded prices, and arrived at an acceptable figure as the cost of inventory.

Readers can take my opinion on the Government's financial statements to indicate that National Defence's inventory is properly valued in the context of the Government's summary financial statements as a whole. However I do not believe that costs as currently recorded could be used for management decision making.

The Department has agreed to implement a plan to ensure that appropriate controls are in place to record the costs of future purchases properly in its inventory system; to relieve the costs of old inventory properly over time as the inventory is used; and to monitor usage properly and determine ongoing adjustments to reflect the obsolescence of inventory items. While National Defence has committed to doing this work, the challenge is great and it may be many years before its inventory records are suitable for management decision making.

### YEAR-END SPENDING

The 2002-03 Statement of Operations includes \$4 billion in transfers to trust funds for the provinces and territories as part of the Accord on Health Care Renewal and \$1.2 billion in transfers to foundations—spending initiatives for 2002-03 that were included in the February 2003 Budget.

Specifically, the Budget included commitments to provide the following:

- \$2.5 billion in a Canada Health and Social Transfer supplement to relieve existing pressures;
- \$1.5 billion to improve access to publicly funded diagnostic services. This would involve new investments including support for specialized training and equipment;
- \$600 million to accelerate the development of a national system of electronic health records;
- \$500 million for research hospitals; and
- \$100 million to other foundations.

### Transfers to trust funds

The first two commitments involve transfers to provinces through irrevocable trust agreements, signed and dated March 31, 2003. The agreements provide for the funds to be distributed to the provinces on a three-year schedule of payment (2003-04 to 2005-06). The Budget and the Schedule to the Trust Agreement anticipate that the provinces will use these funds over three years (\$1.5 billion in the first two years and \$1 billion in the last year). However, the agreements allow for the provinces to ask that payments be accelerated—in effect, the provinces could access all their funds immediately.

Payments to the trusts received parliamentary approval when the *Budget Implementation Act* received royal assent on June 19, 2003. Payments were made to the trusts on June 23, 2003.

While the Accord for Health Care Renewal included a commitment by first ministers to establish a Health Council that would monitor and report publicly on the implementation of Accord priorities, the trust agreements themselves do not require provinces to indicate that the funds are to be used for the purposes indicated in the Accord. Thus, the drawdown of these funds is not contingent on a requirement to demonstrate that the priorities will be addressed.

As indicated in note 4vi of the Government's Summary Financial Statements, the payments were recorded as an expense in 2002-03, lowering the Government's annual surplus by \$4 billion.

In assessing the accounting for these transactions, I concluded that the Government's accounting treatment was acceptable because the Government:

- had agreed to make the payments;
- had established the trust agreements by year end;
- had not included in the trust agreements a requirement for proof that costs had been incurred for the purposes indicated in the Accord on Health Care Renewal; and
- had authorization from Parliament to make the payments before the financial statements were finalized.

## Foundations

The other commitments involve transfers to foundations. Since 1997, the Government has used several foundations to carry out certain public policy objectives. Over the past seven years it has recorded \$8.7 billion in transfers to these foundations as expenses in its financial statements (see Table below). At March 31, 2003, \$7.8 billion was either still in the foundations' bank accounts and investments accumulating interest or was receivable by the foundations from the Government. The funds had yet to be distributed to the ultimate intended recipients or used for the ultimate purposes announced by the Government for this spending.

## Summary financial information on Foundations, 1996-1997 to 2002-2003

Foundation <sup>1</sup>	Year Announced	Funding received <sup>2</sup>	Grants Provided <sup>3</sup>	Interest Earned	Administration	Balance March 31, 2003 <sup>4</sup>	Funding Commitments Signed <sup>5</sup>
							(\$ millions)
Canada Foundation for Innovation	1997	3,651	881	560	29	3,301	1,140
Canada Millennium Scholarship Foundation	1998	2,500	857	569	34	2,178	7
Canada Health Infoway Inc.	2001	1,100	9	39	13	1,117	158
Genome Canada	2000	375	105	41	13	298	205
Aboriginal Healing Foundation	1998	350	171	76	35	220	115
Green Municipal Investment Fund <sup>6</sup>	2000	200	5	26	7	214	23
Canadian Health Service Research Foundation	1997	152	26	10	5	131	7
Other foundations under \$100 million <sup>7</sup>	Between 2000 and 2002	134	22	14	3	123	20
Pierre Elliot Trudeau Foundation <sup>8</sup>	2002	125	0	2	0	127	1
Foundation for Sustainable Development Technology	2001	100	0	3	1	102	6
Total		8,687	2,076	1,340	140	7,811 <sup>8</sup>	1,582

<sup>1</sup> The foundations reflected in this Table have each received over \$10 million in total funding from the Government since 1997, specifically for spending in a future year more than a year ahead.

<sup>2</sup> Transfers include \$1.2 billion announced in the February 2003 Budget that were receivable by the foundations at March 31, 2003.

<sup>3</sup> In addition to grants this column includes eligible project expenses.

<sup>4</sup> These balances are at the date of the latest annual reports, where March 31, 2003 financial statements are not yet available – modified to include the \$1.2 billion announced in the February 2003 Budget.

<sup>5</sup> Figures based on representations from foundations, where not disclosed in their financial statements.

<sup>6</sup> These are endowment funds; only the earnings are disbursed.

<sup>7</sup> These are Foundation for Climate and Atmospheric Sciences; Clayoquot Biosphere Trust Society (endowment fund); Forum of Federations; Pacific Salmon Endowment Fund Society; Canadian Institute for Research on Linguistic Minorities, University of Moncton (endowment fund); and Frontier College Learning Foundation (endowment fund).

<sup>8</sup> In addition to funding for foundations and endowments included in this table, \$465 million was transferred to other organizations that clearly are at arm's length from the Government; \$352 million of the transferred amount had yet to be used at March 31, 2003. These other organizations are Canadian Institute for Health Information; Green Municipal Enabling Fund; Precarn; Canadian Network for the Advancement of Research, Industry and Education (CANARIE); and Canadian Institute for Advanced Research.

These funds were transferred to foundations well in advance of need, in some cases many years in advance. It is worth noting that the Treasury Board Secretariat's own policy on transfer payments indicates that payments should not be made in advance of need, though this policy does provide for exceptions subject to the Treasury Board's approval. It gave the required approvals for transfers to foundations, involving at least a dozen individual approvals.

In the past, I have noted that many factors led me to question whether the funds transferred to foundations should more appropriately be recorded as expenses when they are used for their ultimate purposes. These factors included:

- the Government's role in creating the foundations;
- the foundations' obligation to achieve Government policy objectives;
- the Government's role in appointing the foundations' directors; and
- the prescriptive nature of detailed funding agreements between the foundations and the Government.

As noted in the Budget, foundations have become important tools for implementing public policy. It seems to me that foundations such as the Canada Foundation for Innovation and the Canada Millennium Scholarship Foundation are, in effect, delivering a government program using public money. I have therefore questioned whether the Government's accounting for these transfers as transfers to "arm's-length" organizations is appropriate.

PSAB recently issued a new accounting standard on the government reporting entity. The standard provides guidance to assist governments in determining if an organization is controlled by government. I have encouraged the Government to consider the effects of this new accounting standard for each of the foundations. In addition, PSAB has a second project underway that is considering the accounting for government transfer payments, including multi-year funding. Together with government officials, I will be monitoring the progress of this project and considering the possible implications for the Government's accounting for transfers to foundations.

Beyond the funding issue and the accounting treatment, I have also raised broader and perhaps more important concerns about the accountability regime for foundations. Some of these concerns included inadequate reporting to Parliament; weak oversight of foundations; the inability of the Government to make adjustments should there be a major change in public policy; and the lack of independent, credible reviews and evaluations that are made available to Parliament.

In its 2003 Budget, the Government announced changes in the accountability and governance structures for foundations. I note that the Government intends to introduce some positive measures, particularly for reporting to Parliament and the public. These and several other measures proposed in the Budget clearly have the potential to improve the accountability and governance of foundations.

However, it does not appear that these changes will address all my concerns, particularly the inability of the Government to make adjustments should there be a major change in public policy and the lack of independent, credible reviews and evaluations that are made available to Parliament. Further, much depends on how well these measures are implemented in new and existing foundations. I will assess the revised accountability and governance framework for foundations in future audits.

I emphasize that I express no view on the merits of foundations as a vehicle to deliver government programs. My concerns relate solely to the funding of these organizations in advance of need, provision for their accountability and governance, and the way the Government accounts for its transfers to them. Similarly, my comments should not be interpreted in any way as a criticism of the individuals in charge of the foundations. However, as I have noted before, foundation appointees' determination to make the foundations succeed is not sufficient to overcome the weaknesses in accountability structures.

## Accounting considerations influencing decision making

I am encouraged by the Government's intention to strengthen these accountability and governance structures; however, I am concerned that accounting considerations may be preventing the Government from making all necessary improvements. In a recent Public Accounts Committee hearing on foundations, Government officials indicated that in their view, significantly enhancing the accountability measures could mean that the foundations would be controlled by Government, and therefore considered inside the entity for accounting purposes. In that case, the \$8.7 billion in transfers to the foundations could not be treated as expenses (and therefore not be used to reduce the Government's surplus) until the foundations used them for their intended purposes. This view has also been cited by senior Government officials in many discussions I and my staff have had with them.

I am therefore concerned that accounting rules may be leading the Government in its choices as to the accountability and governance structures involving foundations as well as the manner in which they are funded. In my view, decisions on funding and accountability should be based on the need for sound management of public funds; they should not be based on the goal of achieving a desired accounting result such as reducing the reported annual surplus.

## Conclusion

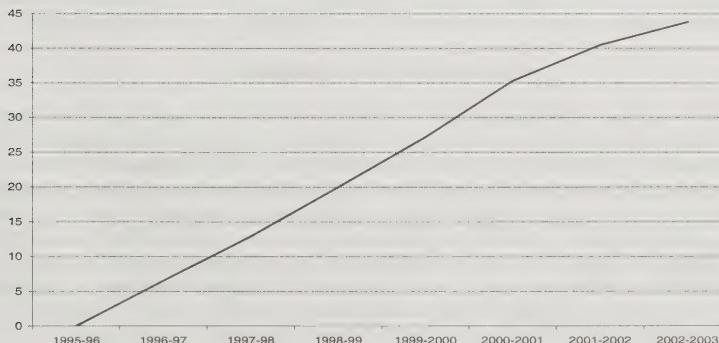
I encourage the Government to implement proper accountability and governance structures for the foundations and not constrain itself from achieving this end by a desire to achieve a particular accounting result.

### EMPLOYMENT INSURANCE ACCOUNT SURPLUS

The Government has still not addressed the long-standing issues related both to setting premium rates for Employment Insurance and to the appropriate size of the surplus in the Employment Insurance Account.

In 2002-03, Employment Insurance (EI) surplus grew by \$3.3 billion to \$43.8 billion. This is about three times higher than the Chief Actuary of Human Resources Development Canada said was necessary in his 2001 report on Employment Insurance premium rates. Because Employment Insurance is a government program, EI premiums and benefits are included in the financial statements of the Government of Canada. As a result, these transactions increased the Government's annual surplus by \$3.3 billion for 2002-03 and reduced the accumulated deficit at March 31, 2003 by \$43.8 billion.

**Balance of the Employment Insurance Account at March 31**  
Billions of dollars



Section 66 of the *Employment Insurance Act*, which is currently suspended, requires that as far as possible, premiums paid by contributors provide the EI Account with enough revenue over a business cycle to pay authorized amounts charged to the Account while maintaining relatively stable premium rates. In my view, this means that Employment Insurance premiums should equal expenses over a period of time, while providing for a reserve sufficient to keep rates stable in an economic downturn.

I note that in the 2003 Budget, the Government stated that the following rate-setting principles would guide its ongoing consultations:

- Premium rates should be set transparently and on the basis of independent expert advice;
- Expected premium revenues should correspond to expected program costs; and
- Premium rates should mitigate the impact on the business cycle and be stable over time.

These principles are, in my view, consistent with an interpretation that Parliament intended the EI program to be run on a break-even basis.

In my view, Parliament did not intend for the Account to accumulate a surplus beyond what could reasonably be spent for employment insurance purposes given the existing benefit structure, while also providing for an economic downturn. Accordingly, in my opinion, the Government did not observe the intent of the *Employment Insurance Act*.

In 2001, when it first suspended section 66 of the EI Act, the Government indicated that it would undertake research and public consultations on the process of setting premium rates. By the February 2003 Budget, those consultations had not taken place. In that Budget, the Government announced again that it would hold consultations on a new rate-setting process to be implemented for 2005. I have been advised that the Government has solicited and received public submissions on the matter and is analyzing them.

In the interim, the Government set the 2004 premium rate at \$1.98 per \$100 of insurable earnings; at this level, premium revenues are intended to equal projected program costs in that year. While this may ensure that the surplus does not grow significantly in 2004, it does nothing to address the \$43.8 billion surplus that has accumulated.

## Conclusion

The EI surplus had grown to \$43.8 billion by March 31, 2003. In the past, I have called on the Government to expedite the completion of its study on the process for setting premium rates. I note with disappointment that public consultations did not occur before the rates were set for 2004, as had been announced. Instead, the Government chose to prolong the suspension of section 66 for another year. I strongly urge the Government to resolve this long-standing issue.

## COMMUNICATING RESULTS

As I have indicated earlier in these Observations, this year the Government has made significant improvements in its financial reporting. I believe that further improvements are possible. Currently a broad range of both summary and detailed financial information is provided in two key documents—the *Public Accounts of Canada* and the *Annual Financial Report*. The *Public Accounts* contain a tremendous amount of information, much of it extremely detailed. The *Annual Financial Report* is much more a summary document, however it is not written to explain the Government's financial results to a general audience. I believe the Government, in consultation with key users, should review this information and determine the best way to provide it to parliamentarians and other interested Canadians. For example, the Government should consider whether one set of *Public Accounts* (in multiple volumes) is appropriate or whether providing some of this information separately in other formats would be more useful. It may also be appropriate to consider whether all of this information is needed or whether other vehicles meet the same need.

Currently, the Government's summary financial statements are tabled some six months or more after year end. This reflects a number of factors including the size, diversity and complexity of Government operations as well as some of the challenges in determining tax revenues on an accrual basis of accounting. Nonetheless, for financial statements to have full value it is essential that they be produced as soon after year end as possible. Therefore, in addressing the issue of improved financial reporting, the Government should also consider how to complete and table its summary financial statements more expeditiously.

In addressing this issue, the Government will need to consider the trade off between timeliness and accuracy. To illustrate this point I will highlight the case of tax revenues. Under accrual accounting, tax revenues are measured from amounts assessed to May 31 and from estimates of amounts not yet assessed based on cash received. Greater accuracy could be achieved by increasing the amount of revenue recorded based on assessments. Greater timeliness would be achieved by only considering assessments to March 31 for example. As the Government gains experience in using its methodology, it should assess the predictive reliability of its estimates and determine if it is feasible to increase the timeliness without significant negative impact on accuracy.

When results are communicated, it is important that they be relayed in generally recognized and consistent language. I am concerned that the Government has chosen to use the term "federal debt" when discussing the accumulated deficit in some of its communications. The accumulated deficit—the difference between the Government's total liabilities and its total assets, both financial and non financial—was \$511 billion at March 31, 2003. I fear that the use of the term "federal debt" may confuse readers. In particular, this term could be confused with "net debt"—the Government's liabilities less its financial assets (\$565 billion at March 31, 2003) or "interest-bearing debt" (\$621 billion at March 31, 2003). Both of these figures are significantly higher (\$54 billion higher and \$110 billion higher respectively) than the Government's accumulated deficit of \$511 billion at March 31, 2003. Thus, I fear that Canadians may get a picture of the Government's financial position that is confusing or, worse, inaccurate. I believe results should be communicated clearly to Canadians and I encourage the Government to present its financial results using generally recognized and consistent terminology in all its communications.

### **MY AUDIT REPORT EXPLAINED**

In past year's Observations I have explained my audit report in some depth. This year I have chosen to provide this information to interested readers on my Web site together with my Observations ([www.oag-bvg.gc.ca](http://www.oag-bvg.gc.ca)).



# SECTION 3

2002-2003

*PUBLIC ACCOUNTS OF CANADA*

## Revenues, Expenses and Accumulated Deficit

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## REVENUES, EXPENSES AND ACCUMULATED DEFICIT

This section provides information on the revenues, expenses and accumulated deficit of the Government as summarized in Table 3.1.

A narrative description is provided for certain accounts reported in some tables. Such description follows the same presentation order as the respective tables.

**TABLE 3.1**  
REVENUES, EXPENSES AND ACCUMULATED DEFICIT  
(in millions of dollars)

	2002-2003	2001-2002
		Restated <sup>(1)</sup>
<b>Revenues—</b>		
Tax revenues, Table 3.2 . . . . .	156,400	151,272
Employment insurance premiums . . . . .	17,870	17,637
Other revenues, Table 3.4 . . . . .	15,962	14,767
<b>Total revenues . . . . .</b>	<b>190,232</b>	<b>183,676</b>
<b>Expenses—</b>		
Transfer payments . . . . .	98,732	90,775
Other program expenses . . . . .	47,261	46,231
<b>Total program expenses . . . . .</b>	<b>145,993</b>	<b>137,006</b>
Public debt charges . . . . .	37,270	39,651
<b>Total expenses, Table 3.6 . . . . .</b>	<b>183,263</b>	<b>176,657</b>
<b>Annual surplus . . . . .</b>	<b>6,969</b>	<b>7,019</b>
<b>Accumulated deficit, beginning of year—</b>		
Previously reported balance . . . . .	(517,545)	(545,396)
Changes in accounting policies . . . . .	20,832	
Restated opening balance . . . . .	(517,545)	(524,564)
<b>Accumulated deficit, end of year . . . . .</b>	<b>(510,576)</b>	<b>(517,545)</b>

(1) Certain comparative figures have been restated. Details can be found in note 2 in Section 2 of this volume.

### REVENUES

Revenues consist of all tax and other amounts which enter into the calculation of the annual surplus or deficit of the Government.

### Accounting for Revenues

Tax revenues are reported net of refunds and are exclusive of amounts collected on behalf of provinces and territories. Tax revenues are recognized in the period in which the event that generates the revenue occurs. For income taxes, revenue is recognized when the taxpayer has earned the income producing the tax. Revenue is determined net of tax deductions and credits allowed under the *Income Tax Act*.

Revenues for the fiscal year ended March 31 are based on amounts assessed/reassessed at the time of preparation of the financial statements and estimates of income tax earned in the fiscal period but not yet assessed/reassessed. These estimates are based on amounts received at the time of preparation of the financial statements that relate to the fiscal year ended March 31 that have not been assessed or that are awaiting reassessment. Actual results may

differ significantly from these estimates. The difference will be recorded in the fiscal year in which the actual assessment/reassessment is completed. Revenues do not include estimates for amounts of unreported taxes.

Goods and services tax, and excise and customs revenues are recorded based on the tax and duties assessed and estimated at the time of preparation of the financial statements that relate to the fiscal year ended March 31. For domestic goods and services tax, revenue is recognized at the time of the sale of goods or the provision of services. For excise duties, revenue is recognized when the taxpayer manufactures goods taxable under the *Excise Act*. For excise taxes, revenue is recognized when a taxpayer sells goods taxable under the *Excise Act*. For customs duties and goods and services tax on imports, revenue is recognized when goods are authorized by the Canada Customs and Revenue Agency to enter Canada.

Employment insurance premiums are recognized in revenue in the same period as the insurable earnings are earned. Other revenues are recognized in the period to which they relate.

## Tax Revenues

Tax revenues include personal and corporate income taxes, other income tax revenues, and other taxes and duties as summarized in Table 3.2.

**TABLE 3.2**  
**TAX REVENUES**

(in millions of dollars)

	2002-2003	2001-2002
	Restated <sup>(1)</sup>	
<b>Tax revenues—</b>		
Income tax—		
Personal <sup>(2)</sup>	89,530	86,972
Corporate	22,222	24,242
Other income tax revenues	3,291	2,925
	<b>115,043</b>	<b>114,139</b>
Other taxes and duties—		
Goods and services tax, Table 3.3 <sup>(2)</sup>	28,248	25,292
Energy taxes—		
Excise tax—Gasoline	4,536	4,410
Excise tax—Aviation gasoline and diesel fuel	456	438
	4,992	4,848
Customs import duties	3,221	3,040
Other excise taxes and duties—		
Excise duties	2,024	2,239
Air travellers security charge	421	438
Miscellaneous excise taxes and duties	2,451	1,714
	4,896	3,953
	<b>41,357</b>	<b>37,133</b>
Total tax revenues <sup>(3)</sup>	<b>156,400</b>	<b>151,272</b>

(1) Certain comparative figures have been restated. Details can be found in note 2 in Section 2 of this volume.

(2) Differences with amounts reported by the Canada Customs and Revenue Agency are due to consolidation adjustments.

(3) Additional details are provided in Table 4a in Section 1 of Volume II (Part I).

### Personal income tax

Personal income tax is levied on personal income under the provisions of the *Income Tax Act*. Personal income tax is the largest source of revenues.

Non-resident income tax is levied on income earned in Canada by non-residents under the provisions of the *Income Tax Act*. This tax is derived from tax withheld from dividends, interest, rents, royalties, alimony, and income from estates and trusts paid to non-residents.

### Corporate income tax

Corporate income tax is levied on corporate income under the provisions of the *Income Tax Act*.

Other tax revenues are comprised primarily of withholding taxes on income earned in Canada by non-resident life insurance companies and income from trusts.

### Other income tax revenues

Other income tax revenues include the non-resident income tax and other tax revenues.

### Other taxes and duties

Other taxes and duties are collected under the *Excise Tax Act* and *Customs Tariff* and include the goods and services tax, energy taxes, customs import duties, and other excise taxes and duties.

*Goods and services tax*

The goods and services tax (GST) became effective January 1, 1991. The GST is applied at a rate of 7 percent on most goods and services consumed in Canada, with the exception of basic groceries, most health and dental care services, most educational services, and residential rents. A comparative analysis of the GST is presented in Table 3.3.

**TABLE 3.3**  
GOODS AND SERVICES TAX (GST)<sup>(1)</sup>

(in thousands of dollars)

	2002-2003	2001-2002
	Restated <sup>(2)</sup>	
GST .....	32,480,931	29,552,743
Less: remission order for the GST paid and accrued by ministries on or for goods and services purchased from outside parties .....	1,150,678	1,277,837
Gross GST from outside parties .....	31,330,253	28,274,906
Less: quarterly tax credits .....	3,081,696	2,982,663
Net GST from outside parties .....	28,248,557	25,292,243

(1) Reported in: —Statement of Operations (Section 2 of this volume).

—Statement of revenues—Canada Customs and Revenue Agency (Volume II-Part I).

(2) Certain comparative figures have been restated. Details can be found in note 2 in Section 2 of this volume.

*Energy taxes*

Energy taxes primarily include the excise tax on gasoline, aviation gas and diesel fuel.

*Customs import duties*

Revenues from customs import duties consist mainly of ad valorem taxes on the importation of goods levied under the *Customs Tariff*.

*Other excise taxes and duties*

Excise taxes and duties are levied on alcoholic beverages and tobacco products. In addition, excise taxes are imposed on other items such as jewellery and passenger vehicle air conditioners. The air travellers security charge are collected by air carrier at the time of payment for the air travel by the purchaser of an air transportation service.

**Employment insurance premiums**

Premiums from employees and employers are levied under the provisions of the *Employment Insurance Act* and are classified as part of revenues. Additional details on employment insurance premiums are provided in Section 4 of this volume.

## Other Revenues

Other revenues include Crown corporations, other program and foreign exchange revenues.

**TABLE 3.4****OTHER REVENUES**

(in millions of dollars)

	2002-2003	2001-2002
	Restated <sup>(1)</sup>	
<b>Other revenues—</b>		
Crown corporation revenues—		
Consolidated Crown corporations . . . . .	1,851	1,681
Enterprise Crown corporations and other government business enterprises—		
Share of annual profit . . . . .	2,962	2,482
Interest . . . . .	492	591
	<b>5,305</b>	<b>4,754</b>
Other program revenues—		
Return on investments . . . . .	351	735
Sales of goods and services—		
Rights and privileges . . . . .	885	769
Lease and use of public property . . . . .	793	428
Services of a regulatory nature . . . . .	476	724
Services of a non-regulatory nature . . . . .	3,634	1,634
Sales of goods and information products . . . . .	304	139
Other fees and charges . . . . .	300	201
	<b>6,392</b>	<b>3,895</b>
Miscellaneous revenues . . . . .	535	2,930
	<b>7,278</b>	<b>7,560</b>
Foreign exchange revenues—		
Exchange Fund Account . . . . .	3,132	2,358
International Monetary Fund . . . . .	55	147
Other . . . . .	192	(52)
	<b>3,379</b>	<b>2,453</b>
Total other revenues <sup>(2)</sup> . . . . .	<b>15,962</b>	<b>14,767</b>

(1) Certain comparative figures have been restated. Details can be found in note 2 in Section 2 of this volume.

(2) Additional details are provided in Table 4a in Section 1 of Volume II (Part I).

### Crown corporation revenues

Crown corporation revenues include revenues earned from third parties by consolidated Crown corporations, interest earned on loans to enterprise Crown corporations and other government business enterprises, and the government's share of the accumulated profits or losses of enterprise Crown corporations and other government business enterprises.

### Foreign exchange revenues

Foreign exchange revenues include the revenues from investments held in the Exchange Fund Account and the International Monetary Fund, as well as the net gains or losses resulting from the translation of these investments to Canadian dollars at March 31. Foreign exchange revenues also include the net gains or losses resulting from foreign debt and currency swap revaluations.

### Other program revenues

Other program revenues include sales of goods and services, return on investments, and miscellaneous revenues. Details are reported by individual ministry in Volume II (Part I) of the *Public Accounts of Canada*.

## Return on investments

Return on investments consists mainly of interest from loans and advances, dividends from investments, and transfer of profits and surpluses for loans, investments and advances other than those in enterprises Crown corporations and government business enterprises. A comparative analysis of return on investments is presented in Table 3.5.

**TABLE 3.5**  
RETURN ON INVESTMENTS <sup>(1)</sup>

(in millions of dollars)

	2002-2003	2001-2002
		Restated <sup>(2)</sup>
<b>Consolidated accounts—</b>		
Atomic Energy of Canada Limited .....	(3)	1
<b>Cash and accounts receivable—</b>		
Interest on bank deposits .....	179	288
<b>Loans, investments and advances—</b>		
Portfolio investments .....	20	20
National governments including developing countries .....	112	124
International organizations .....	31	38
Provincial and territorial governments .....	4	4
Other loans, investments and advances .....	163	120
	330	306
<b>Other accounts—</b>		
Esso Ltd—Norman Wells Project profits .....	90	92
Other .....	5	7
	95	99
<b>Total ministerial return on investments .....</b>	<b>604</b>	<b>694</b>
Net gain (loss) on exchange .....	(266)	61
Accrual of other revenues .....	29	(2)
<b>Total return on investments .....</b>	<b>367</b>	<b>753</b>
Return on investments internal to the Government .....	(16)	(18)
<b>Total external return on investments .....</b>	<b>351</b>	<b>735</b>

<sup>(1)</sup> Additional details are provided in Table 4a in Section 1 of Volume II (Part I), and in Section 11 of Volume II (Part II).

<sup>(2)</sup> Certain comparative figures have been restated. Details can be found in note 2 in Section 2 of this volume.

<sup>(3)</sup> Less than \$500,000.

## EXPENSES

Expenses consist of all charges which enter into the calculation of the annual deficit or surplus of the Government.

### Accounting for Expenses

Expenses for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenses when the recipient has fulfilled the terms of a contractual transfer agreement, or, in the case of transactions which do not form part of an existing program, when the Government announces a decision to make a non-recurring transfer provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.

**TABLE 3.6**  
EXTERNAL EXPENSES BY TYPE

(in millions of dollars)

	2002-2003	2001-2002
		Restated <sup>(1)</sup>
Transfer payments —		
Old age security benefits, guaranteed income supplement and spouse's allowance .....	25,692	24,641
Other levels of government —		
Canada health and social transfer .....	21,100	17,300
Fiscal arrangements .....	10,879	11,603
Alternative payments for standing programs .....	(2,321)	(2,662)
Other .....	987	375
Total other levels of government .....	30,645	26,616
Employment insurance benefits .....	14,496	13,726
Canada child tax benefits .....	7,823	7,471
	<b>78,656</b>	<b>72,454</b>
Other transfer payments —		
Agriculture and Agri-Food .....	2,654	1,897
Finance .....	1,013	1,769
Foreign Affairs and International Trade .....	2,456	2,405
Health .....	1,619	1,617
Human Resources Development .....	1,602	1,698
Indian Affairs and Northern Development .....	4,649	4,557
Industry .....	2,322	2,628
Veterans Affairs .....	1,704	1,557
Other .....	2,057	193
Total other transfer payments .....	20,076	18,321
Total transfer payments .....	<b>98,732</b>	<b>90,775</b>
Other program expenses —		
Crown corporation expenses .....	6,551	6,085
Agriculture and Agri-Food .....	1,097	1,124
Canada Customs and Revenue Agency .....	5,613	4,941
Fisheries and Oceans .....	1,473	1,344
Foreign Affairs and International Trade .....	1,670	1,506
Health .....	1,643	1,643
Human Resources Development .....	2,719	2,442
Industry .....	2,131	2,116
National Defence .....	11,318	10,443
Public Works and Government Services .....	2,405	2,033
Solicitor General .....	4,222	4,326
Treasury Board .....	1,461	1,421
Other ministries .....	4,958	6,807
Total other program expenses .....	<b>47,261</b>	<b>46,231</b>
Total program expenses .....	<b>145,993</b>	<b>137,006</b>
Public debt charges, Table 3.8 .....	<b>37,270</b>	<b>39,651</b>
Total expenses <sup>(2)</sup> .....	<b>183,263</b>	<b>176,657</b>

(1) Certain comparative figures have been restated. Details can be found in note 2 in Section 2 of this volume.

(2) Additional information is provided in Table 2a in Section 1 of Volume II (Part I).

## Government's cost of operations

Government's cost of operations consists of three major types:

- transfer payments;
- other program expenses; and,
- public debt charges.

### Transfer payments

Transfer payments include:

- payments to persons for income support or income supplement. Assistance is based on age, family status, income, and employment criteria;
- payments to provinces and territories under two main programs:
  - fiscal arrangements: unconditional fiscal transfer payments to lower income provinces including subsidies under the Constitution Acts; and,
  - Canada Health and Social Transfers are replacing the Canada Assistance Plan and Established Program Financing as a major means for providing the federal share of social programs administered by the provinces;
- other transfer payments, including various subsidies paid through federal programs to stabilize market prices for commodities, for the development of new technologies, for the conduct of research, for the establishment of new jobs through support for training, for the promotion of educational and cultural activities, and other miscellaneous payments.

### Other program expenses

Other program expenses include defence expenses, as well as the cost of Government administration and specific services delivered to the public. This category covers the costs associated with programs directly delivered by the federal Government such as food inspection, the Coast Guard, the federal court system, the operation of health facilities for natives and veterans, and the national parks system, to name just a few. It also includes the expenses of consolidated Crown corporations incurred with third parties.

Table 3.7 presents a comparative analysis by province of certain transfer payments.

**TABLE 3.7**  
CERTAIN TRANSFER PAYMENTS BY PROVINCE  
(in millions of dollars)

	Old age security benefits <sup>(1)</sup>	Employment insurance benefits <sup>(2)</sup>	Fiscal arrange- ments	Alternative payments for standing programs	Canada health and social transfer	Other	Canada child tax benefits	Total
Newfoundland and Labrador . . . . .	531	876	928		342			2,677
	<i>517</i>	<i>834</i>	<i>1,155</i>		<i>315</i>			<i>2,821</i>
Prince Edward Island . . . . .	136	190	240		92			658
	<i>133</i>	<i>195</i>	<i>292</i>		<i>82</i>			<i>702</i>
Nova Scotia . . . . .	899	655	1,202		613			3,369
	<i>874</i>	<i>628</i>	<i>1,473</i>		<i>563</i>			<i>3,538</i>
New Brunswick . . . . .	739	733	1,169		497			3,138
	<i>719</i>	<i>734</i>	<i>1,323</i>		<i>451</i>			<i>3,227</i>
Quebec . . . . .	6,963	4,138	4,400	(2,321)	4,903			18,083
	<i>6,762</i>	<i>4,104</i>	<i>4,235</i>	<i>(2,662)</i>	<i>4,425</i>			<i>16,864</i>
Ontario . . . . .	9,370	4,237	8		6,743			20,358
	<i>8,946</i>	<i>3,928</i>	<i>7</i>		<i>6,121</i>			<i>19,002</i>
Manitoba . . . . .	1,055	414	1,477		756			3,702
	<i>1,032</i>	<i>386</i>	<i>1,340</i>		<i>683</i>			<i>3,443</i>
Saskatchewan . . . . .	1,006	334	(7)		668			2,001
	<i>990</i>	<i>305</i>	<i>495</i>		<i>609</i>			<i>2,399</i>
Alberta . . . . .	2,073	1,053	4		1,272			4,402
	<i>1,978</i>	<i>869</i>	<i>5</i>		<i>1,604</i>			<i>4,456</i>
British Columbia . . . . .	3,356	1,791	792		2,640			8,579
	<i>3,209</i>	<i>1,709</i>	<i>229</i>		<i>2,410</i>			<i>7,557</i>
Total provinces . . . . .	26,128	14,421	10,213	(2,321)	18,526			66,967
	<i>25,160</i>	<i>13,692</i>	<i>10,554</i>	<i>(2,662)</i>	<i>17,265</i>			<i>64,009</i>
Northwest Territories . . . . .	21	32	558		31	5		647
	<i>20</i>	<i>24</i>	<i>321</i>		<i>(7)</i>			<i>358</i>
Nunavut . . . . .		14	593		24			631
		<i>12</i>	<i>641</i>		<i>17</i>			<i>670</i>
Yukon Territory . . . . .	12	26	353		19			410
	<i>12</i>	<i>26</i>	<i>355</i>		<i>25</i>			<i>418</i>
International . . . . .	173	3						176
	<i>173</i>	<i>2</i>						<i>175</i>
Sub-total . . . . .	26,334	14,496	11,717	(2,321)	18,600	5		68,831
	<i>25,365</i>	<i>13,756</i>	<i>11,871</i>	<i>(2,662)</i>	<i>17,300</i>			<i>65,630</i>
Provision for valuation and other items . . . . .			(838)		2,500	982		2,644
			<i>(30)</i>			<i>375</i>		<i>77</i>
Total (Net) . . . . .	26,334	14,496	10,879	(2,321)	21,100	987		71,475
	<i>25,365</i>	<i>13,726</i>	<i>11,603</i>	<i>(2,662)</i>	<i>17,300</i>	<i>375</i>		<i>65,707</i>
Add tax credits and repayments . . . . .		(642)					7,823	7,181
		<i>(724)</i>					<i>7,471</i>	<i>6,747</i>
Total (Gross) . . . . .	25,692	14,496	10,879	(2,321)	21,100	987	7,823	78,656
	<i>24,641</i>	<i>13,726</i>	<i>11,603</i>	<i>(2,662)</i>	<i>17,300</i>	<i>375</i>	<i>7,471</i>	<i>72,454</i>

Amounts in roman type are 2002-2003 transfer payments.

Amounts in *italic* type are 2001-2002 transfer payments.

<sup>(1)</sup> Includes the guaranteed income supplement and the spouse's allowance. Previous year's figures have been restated.

<sup>(2)</sup> For fiscal year 2001-2002, Employment insurance benefits have been restated.

## Public debt charges

Public debt charges include the interest on unmatured debt and on pensions, other employee and veteran future benefits and other liabilities, the amortization of premiums, discounts and commissions on unmatured debt, and the servicing costs and the costs of issuing new borrowings.

**TABLE 3.8**  
PUBLIC DEBT CHARGES<sup>(1)</sup>  
(in millions of dollars)

	2002-2003	2001-2002
Unmatured debt—		Restated <sup>(2)</sup>
Interest on:		
Marketable bonds.....	19,223	20,941
Canada savings and Canada premium bonds.....	862	1,290
Bonds for Canada Pension Plan.....	343	346
Promissory Note - TD Trust Company.....	(3)	(3)
Promissory notes - Montreal Trust Company.....		2
Canada notes.....	16	26
Euro medium term notes.....	99	137
	20,543	22,742
Amortization of premiums, discounts and commissions on:		
Treasury bills.....	2,834	3,474
Marketable bonds.....	1,660	845
Canada bills.....	45	192
Canada savings and Canada premium bonds.....	4	14
	4,543	4,525
Servicing costs and costs of issuing new borrowings .....	119	134
Total public debt charges related to unmatured debt.....	25,205	27,401
Pension and other liabilities—		
Interest on:		
Public sector pensions—Superannuation accounts.....	10,829	12,229
Less: Provision for pension adjustment.....	(1,687)	(2,820)
	9,142	9,409
Other employee and veteran future benefits—		
Health and dental care plan.....	424	366
Severance benefits.....	205	190
Worker's compensation.....	33	31
Veteran benefit plan.....	1,578	1,519
	2,240	2,106
Canada Pension Plan .....	169	215
Government Annuities Account .....	37	33
Deposit and trust accounts .....	66	71
Other specified purpose accounts .....	229	231
Capital lease obligations .....	148	140
Other liabilities.....	34	45
Total public debt charges related to pension and other liabilities.....	12,065	12,250
Consolidated specified purpose accounts—		
Interest on:		
Employment Insurance Account .....	1,036	1,087
Other .....	14	15
	1,050	1,102
Total public debt charges related to consolidated specified purpose accounts .....	1,050	1,102
Total public debt charges before consolidation adjustments <sup>(4)</sup> .....	38,320	40,753
Less: consolidation adjustments .....	1,050	1,102
Total public debt charges <sup>(1)</sup> .....	37,270	39,651
Comprised of:		
Total public debt charges under statutory authorities before provision and consolidation adjustments .....	37,619	41,327
Total public debt charge provision .....	701	(574)
Consolidation adjustments.....	(1,050)	(1,102)
Total public debt charges .....	37,270	39,651

(1) A summary is provided in Table 2a in Section 1 of Volume II (Part I).

(2) Certain comparative figures have been restated. Details can be found in note 2 in Section 2 of this volume.

(3) Less than \$500,000.

(4) Additional details are provided in Section 8 of Volume II (Part II).

A comparative summary of public debt charges is presented in Table 3.8. The table also discloses the reconciling items between total public debt charges as reported in the ministerial section of the Department of Finance (Section 7) of Volume II (Part I) and the total expenses of the public debt indicated in Table 3.6. The reconciling items include the expenses of the consolidated specified purpose accounts and the provision for valuation and other items.

## Expenses by Object

Table 3.9 reconciles the total expenses by object to the total expenditures by object initially recorded by departments.

**TABLE 3.9**  
TOTAL EXPENSES BY OBJECT<sup>(1)</sup>

(in millions of dollars)

	Total expenses	Reconciliation	Total expenditures
Transfer payments .....	98,732	(24,326)	74,406
Other program expenses—			
Crown corporations and other program expenses .....	6,166	(6,166)	
Personnel .....	21,773	3,347	25,120
Transportation and communications .....	2,366	148	2,514
Information .....	327	18	345
Professional and special services .....	5,306	1,232	6,538
Rentals .....	1,157	309	1,466
Repair and maintenance .....	2,072	271	2,343
Utilities .....	2,195	101	2,296
Amortization expenses .....	3,341	(3,341)	
Loss on disposal of assets .....	112	(112)	
Other subsidies and expenses .....	2,446	4,202	6,648
Acquisition of land, buildings and works .....		890	890
Acquisition of machinery and equipment .....		3,440	3,440
	47,261	4,339	51,600
Public debt charges .....	37,270	349	37,619
Total .....	183,263	(19,638)	163,625

<sup>(1)</sup> Additional details are provided in Table 3a in Section 1 of Volume II (Part I).

## Expenditures under Statutory Authorities

Spending authorities provided by statutory authorities are for specified purposes and for such amounts and such time as the acts prescribe. These spending authorities do not generally lapse at the end of the year in which they were granted. Expenditures under such authorities account for more than two-thirds of the total program expenses each year.

Table 3.10 presents a comparative summary of the ministerial statutory expenditures. The table also discloses the reconciling items between total ministerial expenditures under statutory authorities and total expenses relating to statutory authorities. The reconciling items include the statutory expenditures of the consolidated specified purpose accounts and the provision for valuation, as well as the adjustments related to full accrual accounting.

**TABLE 3.10**  
**EXPENDITURES UNDER STATUTORY AUTHORITIES**  
(in millions of dollars)

	2002-2003	2001-2002	Restated <sup>(1)</sup>
Public debt charges .....	37,619	41,328	
Old age security payments ( <i>Old Age Security Act</i> ) .....	19,823	19,756	
Canada health and social transfer (Part V— <i>Federal-Provincial Fiscal Arrangements Act</i> ) .....	18,600	17,300	
Fiscal equalization (Part I— <i>Federal-Provincial Fiscal Arrangements Act</i> ) .....	10,560	11,108	
Guaranteed income supplement payments ( <i>Old Age Security Act</i> ) .....	5,471	5,217	
Contributions to a transition to future risk management programming .....	598		
Payments (encashment of notes) to International Development Association ( <i>Bretton Woods and Related Agreements Act</i> and previous years' Appropriation Acts) .....	431	262	
Allowance payments ( <i>Old Age Security Act</i> ) .....	399	392	
Grants to the trustees of Registered Education Savings Plans pursuant to Part III.I of the <i>Department of Human Resources Development Act</i> .....	343	334	
Judges' salaries, allowances and annuities, annuities to spouses and children of judges and lump sum payments to spouses of judges who die while in office .....	305	312	
Payments in connection with the <i>Farm Income Protection Act</i> —Net Income Stabilization Account .....	279	249	
Payments to the Canadian Air Transport Security Authority for operating and capital capital expenditures .....	259		
Superannuation, supplementary retirement benefits, death benefits and other pensions <sup>(2)</sup> —			
Public Service—			
Government's matching contributions to the Public Service Superannuation Account .....	1,795	1,550	
Government's contribution as employer to the Employment Insurance Account .....	275	260	
Government's matching contributions to the Canada and the Quebec Pension Plans .....	399	401	
Government's matching contributions to the Death Benefit Account .....	2	39	
Less: recoveries from revolving funds .....	2,471 104	2,250 63	
		2,367	2,187
Canadian Forces—			
Government's matching contribution to the Canadian Forces Superannuation Account .....	556	529	
Statutory payments under the <i>Supplementary Retirement Benefits Act</i> .....	10	10	
Government's contribution as employer to the Employment Insurance Account .....	77	72	
Government's matching contribution to the Canada and the Quebec Pension Plans .....	116	96	
Government's matching contribution to the Death Benefit Account .....	3	(1)	
		762	706
Royal Canadian Mounted Police—			
Government's matching contribution to the Royal Canadian Mounted Police Superannuation Account .....	171	185	
Statutory payments under the <i>Supplementary Retirement Benefits Act</i> .....	30	17	
Government's contribution as employer to the Employment Insurance Account .....	21		
Government's matching contribution to the Canada and the Quebec Pension Plans .....	33		
		255 202	202 495
All other statutory expenditures .....			
<b>Total ministerial expenditures under statutory authorities<sup>(3)</sup></b> .....	<b>98,273</b>	<b>99,848</b>	
Consolidated specified purpose accounts—			
Employment Insurance Account .....	14,668	13,752	
Other .....	594	1,585	
Total expenditures of consolidated specified purpose accounts .....	15,262	15,337	
Provision for valuation and other items .....	(836)	(5,435)	
Full accrual accounting adjustments .....	(124)		
<b>Total expenses relating to statutory authorities</b> .....	<b>112,575</b>	<b>109,750</b>	

(1) Certain comparative figures have been restated. Details can be found in note 2 in section 2 of this volume.

(2) Details related to other pension accounts such as the Members of Parliament Retiring Allowances Account are not included.

(3) Additional information on the ministerial expenditures under statutory authorities are provided in Table 7 in Section 1 of Volume II (Part I).

# SECTION 4

**2002-2003**

***PUBLIC ACCOUNTS OF CANADA***

## **Consolidated Accounts**

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## CONSOLIDATED CROWN CORPORATIONS

This section provides all related information on consolidated Crown corporations. Consolidated Crown corporations are those Crown corporations who rely on Government funding as their principal source of revenue.

Consolidation involves the combination of the accounts of these corporations on a line-by-line and uniform basis of accounting and eliminating inter-organizational balances and transactions. Before these balances and transactions can be eliminated, the corporations' accounts must be adjusted to the Government basis of accounting. Most corporations follow generally accepted accounting principles (GAAP) used by private sector companies.

### Summary Financial Statements of Consolidated Crown Corporations

The following tables display details of the assets, liabilities, revenues and expenses of the consolidated Crown corporations.

For those corporations having other year ends than March 31, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements.

Tables 4.1 and 4.2 summarize the financial transactions and results of operations as reported by the consolidated Crown corporations.

Financial assets include cash, receivables, loans and investments. Financial assets are segregated between third parties and Government and Crown corporations. The financial assets reported under Government and Crown corporations represent receivables and, loans and investments between related parties. Capital assets, inventories and prepayments represent the unexpensed portion of non-financial assets such as buildings, machinery and equipment in use or under construction, inventories and other items of expenditure which will be expensed as these assets are used. Liabilities include payables, borrowings and other obligations. Liabilities are segregated between third parties and Government and Crown corporations. Borrowings from third parties represent long-term debts payable of the corporations. Other third party liabilities are amounts due for purchases, employee benefits, various accruals, capital leases and like items. The liabilities reported under Government and Crown corporations represent payables and borrowings between related parties.

Revenues are segregated between third parties and Government and Crown corporations. Government and Crown corporations' revenues are broken down further to identify revenues arising from normal operations and financial assistance received or receivable from the Government in respect of the current year's operations. Expenses are segregated between third parties and Government and Crown corporations. Equity transactions other than current year's net income or loss are segregated between adjustments and transactions with the Government. Adjustments include prior period adjustments and other items affecting equity as recorded by the corporations. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as capital transactions with the Government. The line "Conversion to the Government accounting basis for consolidation purposes" represents the adjustments required to bring the corporations' generally accepted accounting principles basis of accounting to the Government's basis of accounting.

These tables present consolidated financial information on consolidated parent Crown corporations and financial information on wholly-owned subsidiaries that are unconsolidated with their parent corporation, but consolidated directly in the financial statements of the Government. The *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada* includes a complete list of all parent Crown corporations, wholly-owned subsidiaries, other subsidiaries and associates.

Consolidated Crown corporations are also categorized as being either agents or non-agents of the Crown. Agency status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by consolidated agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. There were no borrowings by consolidated agent Crown corporations for the year ended March 31, 2003. Contingent liabilities of consolidated corporations are presented in Table 4.3.

A summary of financial assistance under Government budgetary appropriations to consolidated Crown corporations for the year ended March 31, 2003 is provided in Table 4.4. Differences in figures reported in Table 4.2 and those reported in Table 4.4 result from the use of different accounting policies and from items in transit.

TABLE 4.1

FINANCIAL POSITION OF CONSOLIDATED CROWN CORPORATIONS — ASSETS AND LIABILITIES  
FOR THE YEAR ENDED MARCH 31, 2003

(in thousands of dollars)

Crown corporations <sup>(1)</sup>	Assets			
	Financial		Capital assets, inventories and prepayments	Total assets
	Third parties	Government and Crown corporations		
Atomic Energy of Canada Limited.....	399,822	5,253	567,717	972,792
Canada Council for the Arts .....	283,681	2,127	22,587	308,395
Canada Lands Company Limited —				
Old Port of Montreal Corporation Inc.....	10,620		17,924	28,544
Canada Mortgage and Housing Corporation —				
Minister's Account .....				
Canadian Air Transport Security Authority <sup>(1)</sup> .....	31,723	45,389	118,732	195,844
Canadian Broadcasting Corporation.....	143,066	190,856	1,173,425	1,507,347
Canadian Dairy Commission —				
Dairy Support Operation Financed by the Government of Canada .....				
Canadian Museum of Civilization .....	62,809	2,160	31,248	96,217
Canadian Museum of Nature .....	7,275	1,961	39,536	48,772
Canadian Race Relations Foundation .....	338	23,549	51	23,938
Canadian Tourism Commission .....	23,972	5,552	4,517	34,041
Cape Breton Growth Fund Corporation .....	60,586		10	60,596
Defence Construction (1951) Limited .....	4,296	4,227	1,168	9,691
Enterprise Cape Breton Corporation .....	8,371	8,362	1,366	18,099
Federal Bridge Corporation Limited, The <sup>(2)</sup> .....	22,238	6,934	165,420	194,592
International Development Research Centre .....	34,499	4,471	7,254	46,224
Marine Atlantic Inc .....	6,527	4,333	206,744	217,604
National Arts Centre Corporation .....	13,316	343	19,437	33,096
National Capital Commission .....	124,093	5,303	509,640	639,036
National Gallery of Canada .....	13,821	707	16,348	30,876
National Museum of Science and Technology .....	7,068	1,404	11,313	19,785
Queens Quay West Land Corporation .....	4,650			4,650
Standards Council of Canada .....	2,572	1,113	2,068	5,753
Telefilm Canada .....	36,949	24,235	7,062	68,246
VIA Rail Canada Inc .....	102,506	24,202	654,598	781,306
Total .....	1,404,798	362,481	3,578,165	5,345,444
Conversion to the Government accounting basis for consolidation purposes .....			100,970	100,970
Total on the Government accounting basis .....	1,404,798	362,481	3,477,195	5,244,474

<sup>(1)</sup> All Crown corporations listed in this table are parent Crown corporations except for the Old Port of Montreal Corporation Inc. The Canadian Air Transport Security Authority became a federal Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* on April 1, 2002.<sup>(2)</sup> The financial information of the Federal Bridge Corporation Limited is consolidated to include the figures of its subsidiaries The Jacques Cartier and Champlain Bridges Incorporated and the Seaway International Bridge Corporation Limited.

Liabilities					
Third parties		Government and Crown corporations	Total liabilities	Equity of Canada	Total liabilities and equity
Borrowings	Other				
759,383		61,134	820,517	152,275	972,792
103,610		1,763	105,373	203,022	308,395
6,943		9,143	16,086	12,458	28,544
59,117		127,936	187,053	8,791	195,844
707,219		651,977	1,359,196	148,151	1,507,347
29,887		43,853	73,740	22,477	96,217
38,962		14,604	53,566	(4,794)	48,772
167			167	23,771	23,938
9,292		14,846	24,138	9,903	34,041
81		200	281	60,315	60,596
6,904		189	7,093	2,598	9,691
12,442		201	12,643	5,456	18,099
13,159		127,318	140,477	54,115	194,592
19,578		18,682	38,260	7,964	46,224
5,496		205,081	210,577	7,027	217,604
16,562		17,507	34,069	(973)	33,096
72,698		1,375	74,073	564,963	639,036
9,094		18,806	27,900	2,976	30,876
5,412		14,322	19,734	51	19,785
2,691		31,300	33,991	(29,341)	4,650
2,722		831	3,553	2,200	5,753
8,207		6,772	14,979	53,267	68,246
15,033		660,084	675,117	106,189	781,306
1,904,659		2,027,924	3,932,583	1,412,861	5,345,444
6		1,783,591	1,783,597	(1,682,627)	100,970
1,904,653		244,333	2,148,986	3,095,488	5,244,474

**TABLE 4.2**

## REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CONSOLIDATED CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2003

(in thousands of dollars)

Crown corporations	Third parties	Revenues		
		Government and Crown corporations		Total
		Financial assistance	Other	
Atomic Energy of Canada Limited .....	593,550	137,634	16,171	747,355
Canada Council for the Arts .....	8,230	153,707	1,601	163,538
Canada Lands Company Limited —				
Old Port of Montreal Corporation Inc. ....	9,506	18,400	3,753	31,659
Canada Mortgage and Housing Corporation —				
Minister's Account .....		1,978,802		1,978,802
Canadian Air Transport Security Authority .....	910	170,261	9,866	181,037
Canadian Broadcasting Corporation .....	477,638	937,432	136,747	1,551,817
Canadian Dairy Commission —				
Dairy Support Operation Financed by the Government of Canada .....		3,135	300	3,435
Canadian Museum of Civilization .....	12,768	81,414	3,342	97,524
Canadian Museum of Nature .....	2,804	24,853	1,050	28,707
Canadian Race Relations Foundation .....	1,157			1,157
Canadian Tourism Commission .....	14,566	92,507	1,014	108,087
Cape Breton Growth Fund Corporation .....	4,565		23,000	27,565
Defense Construction (1951) Limited .....	113		24,422	24,535
Enterprise Cape Breton Corporation .....	1,054	35,017		36,071
Federal Bridge Corporation Limited, The .....	12,395	23,345	972	36,712
International Development Research Centre .....	12,887	95,435	29,708	138,030
Marine Atlantic Inc .....	64,973	44,615	21,360	130,948
National Arts Centre Corporation .....	24,191	24,815	4,758	53,764
National Capital Commission .....	27,212	124,669	7,832	159,713
National Gallery of Canada .....	7,869	43,031		50,900
National Museum of Science and Technology .....	3,955	26,196	1,666	31,817
Queens Quay West Land Corporation .....	1,928	4,000		5,928
Standards Council of Canada .....	5,344	6,574	1,234	13,152
Telefilm Canada .....	50,765	134,953	64,760	250,478
VIA Rail Canada Inc. ....	268,415	159,880	48,438	476,733
Total .....	1,606,795	4,320,675	401,994	6,329,464
Conversion to the Government accounting basis for consolidation purposes .....	106,291	351,799	(240,962)	217,128
Total on the Government accounting basis .....	1,713,086	4,672,474	161,032	6,546,592
Consolidation adjustments .....	137,697	(4,672,474)	(161,032)	(4,695,809)
Total external amount .....		1,850,783		1,850,783

The accompanying notes to Table 4.1 are an integral part of this table.

<sup>(i)</sup> The difference between this amount and the Crown corporations expense presented in the Statement of Operations in Section 2 of this volume consists of \$321 million in financial assistance to Enterprise Crown corporations.

Third parties	Expenses		Net income (loss)	Equity beginning of year	Adjustments	Equity transactions with Government		Equity end of year
	Government and Crown corporations					Dividends	Capital	
	Total							
721,223	51,848	773,071	(25,716)	184,771	(6,780)			152,275
170,041		170,041	(6,503)	209,831	(306)			203,022
19,886		19,886	11,773	313	372			12,458
1,887,102	91,700	1,978,802						
173,223	1,699	174,922	6,115					8,791
1,502,410	29,309	1,531,719	20,098	124,053				4,000
3,435		3,435						
57,719	39,333	97,052	472	22,005				22,477
27,681	3,092	30,773	(2,066)	(2,728)				(4,794)
3,856		3,856	(2,699)	26,470				23,771
107,111	5,727	112,838	(4,751)	14,406	248			9,903
4,831	944	5,775	21,790	38,525				60,315
24,012		24,012	523	2,604	(529)			2,598
12,315	23,154	35,469	602	4,854				5,456
33,078		33,078	3,634	50,260	221			54,115
139,937		139,937	(1,907)	9,871				7,964
131,466		131,466	(518)	7,545				7,027
51,381	3,726	55,107	(1,343)	370				(973)
105,378	8,638	114,016	45,697	518,903	363			564,963
41,774	8,975	50,749	151	2,825				2,976
29,190	2,530	31,720	97	(46)				51
6,937		6,937	(1,009)	(28,332)				(29,341)
12,839	143	12,982	170	2,030				2,200
233,407	2,665	236,072	14,406	38,861				53,267
449,958	14,779	464,737	11,996	94,193				106,189
5,950,190	288,262	6,238,452	91,012	1,321,584	(6,411)			1,412,861
41,482	(3,158)	38,324	178,804	1,504,088	6,411			1,682,627
5,991,672	285,104	6,276,776	269,816	2,825,672				3,095,488
238,864	(285,104)	(46,240)						
6,230,536 <sup>(1)</sup>		6,230,536						

## Contingent Liabilities of Consolidated Crown Corporations

Table 4.3 summarizes the contingent liabilities of the consolidated Crown corporations. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

**TABLE 4.3**

### CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS (in thousands of dollars)

March 31, 2003

<u>Agent Crown corporations</u>	
Canada Lands Company Limited —	
Old Port of Montreal Corporation Inc. ....	1,337
Defence Construction (1951) Limited—Contract disputes .....	7,046
National Capital Commission—Miscellaneous litigations and agreements.....	29,489
Telefilm Canada—Loan guarantees .....	644
<b>Total</b> .....	<b>38,516</b>
<hr/>	
<u>Non-agent Crown corporations</u>	
International Development Research Centre .....	600
Marine Atlantic Inc.—Site contamination lawsuit, miscellaneous litigations .....	6,035
<b>Total</b> .....	<b>45,151</b>

## Financial Assistance Under Budgetary Appropriations to Consolidated Crown Corporations

Table 4.4 summarizes financial assistance under budgetary appropriations for both consolidated agent and non-agent Crown corporations. It should be read in conjunction with Table 4.2. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts approved through an operating vote and (b) amounts approved through a capital vote.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

Differences in figures reported in Table 4.2 and those reported in Table 4.4 result from the use of different accounting policies and from items in transit.

**TABLE 4.4**

### FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO CONSOLIDATED CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2003

(in thousands of dollars)

	Operating vote	Capital vote	Financial assistance under budgetary appropriations <sup>(1)</sup>
<b>Agent Crown corporations</b>			
Atomic Energy of Canada Limited .....	144,572		144,572
Canada Lands Company Limited —			
Old Port of Montreal Corporation Inc .....	18,400		18,400
Canada Mortgage and Housing Corporation <sup>(2)</sup> .....	1,978,802		1,978,802
Canadian Air Transport Security Authority .....	259,477		259,477
Canadian Broadcasting Corporation .....	937,432	109,090	1,046,522
Canadian Dairy Commission .....	3,135		3,135
Canadian Tourism Commission .....	86,296		86,296
Canadian Museum of Civilization .....	81,314		81,314
Canadian Museum of Nature .....	28,389		28,389
Enterprise Cape Breton Corporation .....	35,017		35,017
Federal Bridge Corporation Limited, The .....	80,135		80,135
National Capital Commission .....	66,374	58,296	124,670
National Gallery of Canada .....	36,867	6,000	42,867
National Museum of Science and Technology .....	27,870		27,870
Teleglobe Canada <sup>(3)</sup> .....	119,650		119,650
	3,903,729	173,386	4,077,115
<b>Non-agent Crown corporations</b>			
Canada Council for the Arts .....	153,821		153,821
International Development Research Centre .....	102,228		102,228
Marine Atlantic Inc .....	46,381		46,381
National Arts Centre Corporation .....	26,649		26,649
Standards Council of Canada .....	6,580		6,580
Queens Quay West Land Corporation .....	4,000		4,000
VIA Rail Canada Inc .....	255,701		255,701
	595,360		595,360
<b>Total</b> .....	4,499,088	173,386	4,672,474

<sup>(1)</sup> Excludes grants and contributions paid to agent and non-agent consolidated Crown corporations where they qualify as members of a general class of recipients.

<sup>(2)</sup> Includes budgetary appropriations for Government programs known as the "Minister's Account".

<sup>(3)</sup> Includes a contribution of \$46,653 from the Canadian Television Fund under the Department of Canadian Heritage.

## CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

Consolidated specified purpose accounts are special categories of revenues and expenses which report transactions of certain accounts where enabling legislation requires that revenues be earmarked, and that related expenses be charged against such revenues. They are used principally where the activities are similar in nature to departmental activities and the transactions do not represent liabilities to third parties but in essence constitute Government revenues and expenses.

The transactions of these accounts are reported with revenues and expenses, in order to provide a more comprehensive reporting of the Government's operating results.

Further, enabling legislation requires that the transactions in each of these accounts be accounted for separately. Table 4.5 presents a summary of the balances and transactions of these accounts, in the manner required by legislation. A narrative description is provided for accounts reported in Table 4.5. Such description follows the same presentation order as the respective table.

The financial statements of the Employment Insurance Account, together with the Auditor General's report thereon, are presented at the end of this section.

**TABLE 4.5**

### CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

	April 1/2002	Revenues and other credits		Expenses and other debits		March 31/2003
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
<b>Insurance Accounts—</b>						
Agriculture and Agri-Food—						
Western Grain Stabilization						
Account .....	27,196,050	23,025				27,219,075
Less: interest-bearing loans .....	1,112,000,000	(23,025)				1,112,000,000
(1,084,803,950)						(1,084,780,925)
Crop Reinsurance Fund .....	344,179,806	17,356,032	220,000,000	581,535,838		
Less: interest-bearing loans .....	277,514,751		220,000,000			497,514,751
66,665,055		17,356,032		581,535,838		(497,514,751)
Agricultural Commodities Stabilization						
Accounts .....	259,916	366,681				626,597
(1,017,878,979)		17,745,738		581,535,838		(1,581,669,079)
Finance—						
Investors' Indemnity						
Account .....	45,303					45,303
Health—						
Health Insurance Supplementary						
Account .....	28,387					28,387
Human Resources Development—						
Employment Insurance Account,						
Table 4.6 .....	40,529,781,733	(1)	17,959,645,652	1,408,960,981	14,667,529,716	1,434,408,887
Natural Resources—						
Canadian Nuclear Safety Commission—						
Nuclear Liability Reinsurance						
Account .....	553,421	1,500				554,921
Transport—						
Ship-Source						
Oil Pollution						
Fund .....	316,491,470	53,642	14,237,878	4,819,720		325,963,270
Total insurance accounts .....	39,829,021,336	17,977,446,532	1,423,198,859	15,253,885,274	1,434,408,887	42,541,372,565

TABLE 4.5

## CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—Concluded

	April 1/2002	Revenues and other credits		Expenses and other debits		March 31/2003
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
Other Consolidated Specified Purpose Accounts—						
Canadian Heritage—						
National Battlefields Commission—						
Trust Fund Account .....	409,542	96,192	11,131			516,865
Parks Canada Agency—						
New Parks and Historic Sites Accounts .....	13,127,852 13,537,394	745,157 841,349	3,993,000 4,004,131	5,747,646 5,747,646	499,551 499,551	11,618,812 12,135,677
Environment—						
Environmental Damages Fund .....	433,488	291,200		63,181		661,507
Finance—						
Canadian Commercial Bank and Northland Bank Holdback Account .....	246,223,464					246,223,464
Fisheries and Oceans—						
Supplementary Fines Fish Account .....	586,293	154,027		190,247		550,073
Indian Affairs and Northern Development—						
Environmental Studies Research Fund .....	236,133	571,053			236,000	571,186
Natural Resources—						
Environmental Studies Research Fund .....	1,175,850	278,222	1,372,928	1,175,000	278,222	1,373,778
Public Works and Government Services—						
Seized Property Proceeds Account .....	11,564,073	(2,399)	19,910,640	978,209	1,648,768	28,845,337
Transport—						
Fines for the Transportation of Dangerous Goods .....	262,373	214,490				476,863
Total Other Consolidated Specified Purpose Accounts .....	274,019,068	2,347,942	25,287,699	8,154,283	2,662,541	290,837,885
Endowment Principal—						
Canadian Heritage—						
Parks Canada Agency—						
Mackenzie King trust account .....	225,000					225,000
Health—						
Canadian Institutes of Health Research—						
Endowments for Health research .....	140,267					140,267
Industry—						
National Research Council of Canada —						
H.L. Holmes Fund <sup>(2)</sup> .....	3,256,071	455,536				3,711,607
Social Sciences and Humanities Research Council—						
Queen's Fellowship Fund .....	250,000					250,000
Total Endowment Principal .....	3,871,338	455,536				4,326,874
Total .....	40,106,911,742	17,980,250,010	1,448,486,558	15,262,039,557	1,437,071,428	42,836,537,324

<sup>(1)</sup> The opening balance has been restated to reflect the change in accounting policies for full accrual accounting. See Table 4.6.<sup>(2)</sup> Amends previous year's *Public Accounts of Canada*.

## Insurance Accounts

For the following Insurance Accounts, revenues and other credits from outside parties totalled \$17,977 million (\$18,065 million in 2002) while expenses and other debits to outside parties totalled \$15,254 million (\$13,911 million in 2002) and are reported as expenses in the Statement of Operations.

Revenues and other credits of \$1,423 million (\$1,464 million in 2002) and expenses and other debits of \$1,434 million (\$1,409 million in 2002) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

## Western Grain Stabilization Account

The purpose of the *Western Grain Stabilization Act* was to protect prairie grain producers from unexpected and large income declines, through the stabilization of returns on the production and sale of wheat, oats, barley, rye, domestic mustard seed, canola, flax seed, triticale, mixed grain, sunflower seed, buckwheat, peas, lentils, favabean and canary seed as well as any other prescribed seed that was produced in the designated area and was a grain for which a grade has been established and designated as "Canada Western" by regulation under the *Canada Grain Act*.

This account recorded funds which were received from:

- (a) levies paid by participating producers—levy rate ranging from 1 percent to 4 percent were applied to a participant's grain sales proceeds not exceeding \$60,000 per year;
- (b) Government contributions were equal to levies paid by producers plus an additional 2 percent of the participant's eligible grain sales proceeds of all participants on which the levy was paid by participants;
- (c) interest on the amount that was standing to the credit of the Account at rates and in accordance with the terms and conditions which were determined by the Minister of Finance; and,
- (d) advances from the Consolidated Revenue Fund, pursuant to section 45 of the *Western Grain Stabilization Act* when the balance in the Account was not sufficient for the payment of the stabilization payments and other amounts required to be charged to the Account pursuant to section 44 of the *Western Grain Stabilization Act*.

Treatment of the Account's deficit upon termination of the Western Grain Stabilization Account is subject to the provision of subsection 24(3) of the *Farm Income Protection Act*: "The Governor in Council may, by order, fix the day on which the Western Grain Stabilization Account continued pursuant to subsection (1) shall be closed." The *Western Grain Stabilization Act* has been repealed and replaced by the *Farm Income Protection Act* effective April 1, 1991.

## Crop Reinsurance Fund

This Fund, continued in the accounts of Canada pursuant to subsection 13(1) of the *Farm Income Protection Act*, provides insurance to participating provinces for costs they incur in operating various crop insurance schemes. The Crop Reinsurance Fund currently operates under the authority of the *Farm Income Protection Act*.

The revenues of the Fund come from moneys paid by the provinces for the purpose of reinsurance and the expenditures of the Fund are moneys paid to the provinces under the terms of reinsurance agreements. When there is insufficient revenues in the Fund to meet payments, the Minister of Finance may authorise an advance of additional funds to cover these obligations. These advances are recovered from future revenues from the provinces. The interest rate has been set by the Department of Finance at zero percent.

## Agricultural Commodities Stabilization Accounts

The purpose of these accounts was to reduce income loss to producers from market risks through stabilizing prices. Premiums were shared equally by the Government of Canada, the governments of participating provinces and participating producers.

The following accounts are active solely for the collection of accounts receivable as the programs have already terminated:

- (a) hogs;
- (b) feeder cattle;
- (c) slaughter cattle;
- (d) feeder calves;
- (e) home-raised lambs;
- (f) ewe flock;
- (g) white pea beans;
- (h) kidney/cranberry beans;
- (i) other coloured beans;
- (j) honey;
- (k) onions;
- (l) apples; and,
- (m) sugar beets.

These accounts are continued in the accounts of Canada pursuant to subsection 16(2) of the *Farm Income Protection Act*. The *Agricultural Stabilization Act*, under which the commodity accounts formerly operated, has been repealed and replaced by the *Farm Income Protection Act* effective April 1, 1991.

## Investors' Indemnity Account

Section 57 of the *Financial Administration Act* provides for this account, and for the crediting thereto of the sum of \$25,000, such further amounts as are appropriated by Parliament for the purpose of this section, and any recovery of losses referred to in section 58 of the Act. This sum was increased to \$50,000 by Treasury Board Submission No. 817667 dated December 12, 1991.

Section 58 of the Act states that the Minister may, in accordance with and subject to regulations, pay out of the account, any losses sustained by subscribers for Government securities, who have paid all or part of the purchase price but have not received the security or repayment of the amount so paid, and losses sustained by any person in the redemption of securities.

## Health Insurance Supplementary Account

This account was established pursuant to Vote L16b, *Appropriation Act No. 2, 1973*, to record payments in respect of persons who, through no fault of their own, have lost or been unable to obtain coverage for the insured health services under the *Canada Health Act*, and in accordance with the Federal-Provincial Agreement on Eligibility and Portability. Contributions are made by all provinces to the account in proportion to population and are matched by the Federal Government.

## Employment Insurance Account

The *Employment Insurance Act* provides for a compulsory contributory employment insurance program applicable to all employees and employers, with few exceptions.

The Act authorizes that an account be established in the accounts of Canada to be known as the Employment Insurance Account.

The Act provides that the following be credited to the Account: (a) premiums, penalties and interest; (b) refunds of overpayments of benefits and support measures under Part II of the Act; (c) repayments of overpayments made by the Commission under the Labor Market Development Agreements; (d) amounts for services rendered to other Government departments or agencies, or to the public; (e) amounts provided for any other purpose related to employment insurance and authorized by an appropriation administered by the Canada Employment Insurance Commission; and, (f) interest on the balance of the Account at such rates as the Minister of Finance may authorize.

The Act also provides that the following be charged to the Account: (a) benefits, support measures and financial assistance provided under Part II of the Act; (b) contributions to provinces under the Labour Market Development Agreements; (c) costs of administering the Act including administration costs transferred to provinces; and, (d) interest on advances made by the Minister of Finance.

Employee premium rates for each \$100 of insurable earnings were \$2.20 from April 1, 2002 to December 31, 2002 and \$2.10 from January 1, 2003 to March 31, 2003. Employer premium rates are 1.4 times those for employees. Maximum weekly benefits were \$413 for the whole period.

Table 4.6 presents a statement of the transactions in the Employment Insurance Account.

**TABLE 4.6**

### TRANSACTIONS IN THE EMPLOYMENT INSURANCE ACCOUNT (in millions of dollars)

	2002-2003	2001-2002 <sup>(1)</sup>
<b>REVENUES AND OTHER CREDITS—</b>		
Premiums—		
Employers and employees <sup>(2)</sup> .....	18,243	17,999
Penalties and interest revenue .....	90	72
Interest earned .....	1,035	1,087
	<b>19,368</b>	<b>19,158</b>
<b>EXPENSES AND OTHER DEBITS—</b>		
Benefits .....	13,601	12,863
Transfers to the provinces—		
Part II .....	895	893
Administration costs .....	1,434	1,409
Administration cost transferred to provinces .....	91	90
Bad debts .....	81	69
	<b>16,102</b>	<b>15,324</b>
Net change .....	3,266	3,834
Balance at beginning of year .....	40,530	35,178
Adjustment to opening balance .....		1,518
Adjusted balance at beginning of year .....	40,530	36,696
Balance at end of year .....	43,796	40,530

<sup>(1)</sup> Previous year's figures have been restated to reflect the change in accounting policies for full accrual accounting.

<sup>(2)</sup> The difference between premium revenue presented here and the amount presented in the Government of Canada financial statements is due to the elimination on consolidation of premiums incurred by the Government of Canada, for an amount of \$373 million (\$362 million in 2002).

## Nuclear Liability Reinsurance Account

This account was established pursuant to sections 16 and 17 of the *Nuclear Liability Act*, to record premiums and to provide for payment of claims arising from accidents at an insured facility.

## Ship-Source Oil Pollution Fund

This account was established pursuant to section 702 of the *Canada Shipping Act*, to record levy tonnage payments for oil carried by ships in Canadian waters. Maritime pollution claims, the fee of the Fund Administrator, and related oil pollution control expenses, are to be financed out of the Fund.

## Other Consolidated Specified Purpose Accounts

For the following Other Specified Purpose Accounts, revenues and other credits from outside parties of \$2 million (\$1 million in 2002) are reported while expenses and other debits to outside parties of \$8 million (\$7 million in 2002) are reported in the Statement of Operations.

Revenues and other credits of \$25 million (\$31 million in 2002), and expenses and other debits of \$3 million (\$9 million in 2002) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

### Trust Fund Account

This account was established at the creation of the National Battlefields Commission for the purpose of acquiring various properties for the development of the park. The monies are received by way of private contributions, from municipal corporations, provincial governments and others, and deposited for the purposes of the Commission, as prescribed for in its incorporation Act. Following the land acquisitions of the Commission, an amount of money remained in the account and increased over a period of years as a result of interest earned, while the Commission was listed in Schedule C of the *Financial Administration Act*, prior to September 1, 1984.

### New Parks and Historic Sites Accounts

This account was established pursuant to the *Parks Canada Agency Act* to record payments to be used to acquire lands or property required to establish any national park, national historic site or other protected heritage area that has not yet attained full operation status, and to make any related contributions.

### Environmental Damages Fund

This account was established for the management of court orders/awards or other financial compensation to Environment Canada for damages to the environment.

### Canadian Commercial Bank and Northland Bank Holdback Account

This account was established to record the amount held from the recovery of monies received from the winding up of Canadian Commercial Bank and Northland Bank.

During the fiscal year, no claims have been received for potential payments from the holdback.

### Supplementary Fines Fish Account

The account was established to record the deposit of monies received from persons declared guilty of offences under the *Fisheries Act*, and fined by courts under paragraph 79(2) (f) of the Act.

## Environmental Studies Research Fund—Indian Affairs and Northern Development

This account was established pursuant to subsection 76(1) of the *Canada Petroleum Resources Act*. The purpose of the Fund is to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration development and production activities on frontier land, authorized under this Act or any other Act of Parliament, should be conducted.

## Environmental Studies Research Fund—Natural Resources

This account was established pursuant to subsection 76(1) of the *Canada Petroleum Resources Act*. The purpose of the Fund is to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration development and production activities on frontier land, authorized under this Act or any other Act of Parliament, should be conducted.

### Seized Property Proceeds Account

This account was established pursuant to section 13 of the *Seized Property Management Act*, to record the net proceeds received from the disposition of seized and forfeited properties to Her Majesty or fines imposed and also monies received from the government of foreign states pursuant to agreements for the purpose of the Act. The Act also provides that the following be charged to the Account: operating expenses incurred in carrying out the purpose of the Act, amounts paid as a result of claims and repayments of advances from the Minister of Finance, interest on drawdown from Seized Property Working Capital Account and distribution of the proceeds to other Government departments and the Consolidated Revenue Fund.

### Fines for the Transportation of Dangerous Goods

This account was established pursuant to the *Transportation of Dangerous Goods Act 1992* and related regulations to record fines levied by courts.

### Endowment Principal

For the following Endowment Principal Accounts, revenues and other credits from outside parties of \$456 thousand (\$65 thousand in 2002) are reported while expenses and other debits to outside parties of \$0 thousand (\$45 thousand in 2002) are reported in the Statement of Operations.

### Mackenzie King trust account

The late The Right Hon W L Mackenzie King bequeathed Laurier House, Ottawa, and the sum of \$225,000, to the Government of Canada. The amount of \$225,000 was credited to the account and earns interest, in accordance with the terms of section 3 of the *Laurier House Act*. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research.

### **Endowments for Health Research**

This account was established by section 29 of the *Canadian Institutes of Health Research Act*, to record various endowments received from donors for the purpose of health research. The interest received is used for the payment of research grants.

### **H.L. Holmes Fund**

This account was established pursuant to paragraph 5(1)(f) of the *National Research Council Act* to record the residue of the estate of H. L. Holmes. Up to two thirds of the yearly net income from the fund shall be used to finance the H. L. Holmes Award on an annual basis. These awards will provide the opportunity to post-doctoral students to study at world famous graduate schools or research institutes under outstanding research persons.

### **Queen's Fellowship fund**

This fund is an endowment of \$250,000 that was established by Vote 45a, *Appropriation Act No. 5, 1973-74*. The interest earned is used for the payment of fellowships to graduate students in certain fields of Canadian studies.

## SUPPLEMENTARY STATEMENT

### Employment Insurance Account

#### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Employment Insurance Account have been prepared by the Canada Employment Insurance Commission in accordance with Canadian generally accepted accounting principles. The accounting policies are identified in Note 2. The integrity and objectivity of the data and the estimates of importance in these financial statements are management's responsibility.

In support of its responsibility, management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of the financial information, and to ensure that the transactions are in accordance with the *Employment Insurance Act* and Regulations, as well as the *Financial Administration Act* and regulations.

The Employment Insurance Account's external auditor, the Auditor General of Canada, audits the financial statements and reports to the Minister of Human Resources Development.

The financial statements of the Employment Insurance Account are an integral part of the *Public Accounts of Canada*, which are tabled in Parliament and referred to the Standing Committee on Public Accounts for examination purposes.

JANET MILNE  
Assistant Deputy Minister  
Financial and Administrative Services  
Human Resources Development Canada

MARYANTONETT FLUMAN  
Vice-Chairperson of the Canada  
Employment Insurance Commission

October 1, 2003

#### AUDITOR'S REPORT

#### TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the balance sheet of the Employment Insurance Account as at March 31, 2003 and the statements of operations and accumulated surplus and cash flow for the year then ended. These financial statements are the responsibility of the Canada Employment Insurance Commission. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Employment Insurance Account as at March 31, 2003 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

However, I wish to reiterate concerns that I have expressed in previous reports about the size of the accumulated surplus in the EI Account, which increased by about \$3 billion during the year to \$44 billion as at March 31, 2003. The *Employment Insurance Act* requires that all money collected for EI purposes be credited to the Account. The balance in the Account can only be reduced by charges for EI benefits and administration. In my view, the Parliament did not intend for the Account to accumulate a surplus beyond what could reasonably be spent for EI purposes, given the existing benefit structure and providing for an economic downturn. The current surplus is now three times the maximum reserve that the Chief Actuary of Human Resources Development Canada considered sufficient in 2001. Accordingly, in my opinion, the Government did not observe the intent of the *Employment Insurance Act*.

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
October 1, 2003

**Employment Insurance Account—Continued****BALANCE SHEET AS AT MARCH 31  
(in thousands of dollars)**

ASSETS	2003	2002	LIABILITIES	2003	2002
		Restated (Note 3)			Restated (Note 3)
<b>Balance of the account with Receiver General for Canada (Note 8).....</b>	<b>43,197,001</b>	<b>39,703,968</b>	<b>Unredeemed warrants .....</b>	<b>265,744</b>	<b>103,074</b>
Premiums receivable (Note 3) .....	763,787	1,086,961	Benefits payable.....	302,129	603,811
Due from claimants (Note 4).....	427,073	402,835	Amounts payable (Note 5) .....	25,116	22,982
Advances—Employment benefits and support measures (Note 3).....	17,239	80,185	Accumulated surplus (Note 6) .....	43,812,111	40,544,082
	<b>44,405,100</b>	<b>41,273,949</b>		<b>44,405,100</b>	<b>41,273,949</b>

The accompanying notes and schedule are an integral part of these financial statements.

Approved by:

**JANET MILNE**  
*Assistant Deputy Minister*  
*Financial and Administrative Services*  
*Human Resources Development Canada*

**MARYANTONETT FLUMIAN**  
*Vice-Chairperson of the Canada Employment Insurance Commission*

**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS FOR THE YEAR ENDED MARCH 31  
(in thousands of dollars)**

	2003	2002
		Restated (Note 3)
<b>Revenue</b>		
Premiums (Notes 3 and 7).....	18,243,025	17,999,408
Interest on the balance of the account with Receiver General for Canada (Note 8).....	1,035,524	1,087,287
Penalties.....	71,433	65,004
Interest on overdue accounts receivable (Note 4).....	19,363	
	<b>19,369,345</b>	<b>19,151,699</b>
<b>Expenses</b>		
Benefits and support measures (Note 9 and Schedule).....	14,501,467	13,693,850
Administration costs (Note 10) .....	1,519,095	1,475,954
Bad debts.....	80,754	72,536
	<b>16,101,316</b>	<b>15,242,340</b>
Surplus for the year .....	3,268,029	3,909,359
Accumulated surplus at the beginning of the year.....	40,544,082	36,634,723
Accumulated surplus at the end of the year (Note 6).....	43,812,111	40,544,082

The accompanying notes and schedule are an integral part of these financial statements.

**STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED MARCH 31  
(in thousands of dollars)**

	2003	2002
<b>Operating activities</b>		
Cash receipts:		
Premiums.....	18,566,199	18,342,188
Interest received .....	1,035,524	1,087,287
Recoveries of benefit overpayments and penalties .....	301,944	295,191
	<b>19,903,667</b>	<b>19,724,666</b>
Cash payments:		
Benefits and support measures .....	(15,042,879)	(14,079,966)
Administration costs .....	(1,530,425)	(1,587,440)
	<b>(16,573,304)</b>	<b>(15,667,406)</b>
Net increase in cash and cash equivalents .....	3,330,363	4,057,260
Cash and cash equivalents at beginning of year .....	39,600,894	35,543,634
Cash and cash equivalents at end of year .....	42,931,257	39,600,894

Cash and cash equivalents represent the balance of the account with Receiver General for Canada, net of the unredeemed warrants.  
 The accompanying notes and schedule are an integral part of these financial statements.

## Employment Insurance Account—Continued

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2003

#### 1. Authority, objective and responsibilities

The Canada Employment Insurance Commission (the Commission), a departmental corporation named in Schedule II to the *Financial Administration Act*, administers the *Employment Insurance Act* (the Act). The Commission is co-managed by the Government, workers and employers. The objective of the Act is to provide short-term financial relief and other assistance to eligible workers. The financial transactions relating to this objective are reported through the Employment Insurance Account.

The Employment Insurance Account (the Account) was established in the accounts of Canada by the Act. All amounts received under the Act are deposited in the Consolidated Revenue Fund and credited to the Account. The benefits and the costs of administration of the Act are paid out of the Consolidated Revenue Fund and charged to the Account.

The Minister of National Revenue is responsible for collecting premiums from employers and employees, and for administering and enforcing the provisions of the Act relating to benefit repayments to be received from higher income claimants.

The Act authorizes the Government of Canada to enter into Labour Market Development Agreements with each province and territory on the design and delivery of the active employment benefits and support measures contained in the Act. With the exception of Ontario, agreements with all provinces and territories have been entered into and implemented.

Responsibility sharing varies from one agreement to the other. In some cases, the provinces and territories have full responsibility for delivering the active employment benefits and support measures; in others, the agreement provides for a co-management approach with the federal government.

#### 2. Significant accounting policies

The Account is a component of the Government of Canada reporting entity. In this context, its operations are consolidated with those of the Government and are presented in the financial statements of the Government of Canada. The financial statements of the Account are also presented in Volume 1 of the *Public Accounts of Canada*.

##### (a) Basis of accounting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

##### (b) Revenue—Premiums

Premiums are recognized as revenue in the period in which the insurable earnings are earned. Premiums earned in the period are measured from amounts assessed by the Canada Customs and Revenue Agency and from estimates of amounts not assessed based on cash received. Premium revenue also includes adjustments between actual and estimated premiums of previous years.

##### (c) Expenses—Benefits and support measures

Income benefits (or benefits under Part I of the Act) provide temporary income support to claimants while they look for work. Income benefits represent the amounts paid and to be paid to claimants for the period relating to the financial year, less benefit overpayments established by the Commission during the year.

Employment benefits and support measures (or benefits under Part II of the Act) provide financial assistance, namely grants or contributions, to eligible persons to help them re-integrate into the labour market and to third parties to help them provide employment assistance services to unemployed workers. These expenses include the direct costs, excluding administration costs, of financial and employment assistance programs and related measures provided to eligible persons and third parties. Overpayments established during the year are deducted from these expenses. Part II expenses also include the transfer payments to the provinces and territories for the design and delivery of programs similar to the employment benefits and support measures.

Claimants with higher income levels than those stated in the Act have to repay benefits received. Estimated benefit repayments received or to be received from those claimants are deducted from benefits and support measures.

##### (d) Administration costs

The costs of administering the Act are based on an estimate of costs incurred by the Commission for the Account and with the applicable provinces and territories for the labour market development agreements.

##### (e) Advances—Employment benefits and support measures

Advances for employment benefits and support measures are recorded as an asset on the balance sheet and are charged to expenses upon utilization.

**Employment Insurance Account—Continued****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2003—Continued****(f) Asset and liability valuation**

Due to the short-term nature, the carrying value of the financial assets and liabilities of the Account approximate their fair value at the end of the year.

**(g) Measurement uncertainty**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and revenue and expenses during the reporting period. The most significant estimates are related to premiums, administration costs, benefit repayments and allowance for doubtful accounts. Actual results could differ significantly from these estimates.

**3. Changes in accounting policies**

During the year, the Account adopted Canadian generally accepted accounting principles as the basis of accounting for its financial statements. The change resulted in the presentation of a cash flow statement, the addition of a note on contingent liabilities in the current year financial statements and the recognition of advances relating to employment benefits and support measures as an asset of the Account.

Advances for employment benefits and support measures were previously expensed upon payment. They are now recorded as an asset on the balance sheet and are expensed when utilized.

This change in accounting policy has been applied retroactively and the 2001-2002 financial statements have been restated accordingly. The effect of the change for advances on the current and previous year results is presented below:

Year ended and as at March 31	Increase (decrease)	
	2003	2002
(in thousands of dollars)		
<b>Statement of Operations and Accumulated Surplus</b>		
Premiums .....	(349,174)	(295,780)
Surplus for the year .....	(349,174)	(295,780)
Accumulated surplus at the beginning of the year .....	285,961	581,741
Accumulated surplus at the end of the year .....	(63,213)	285,961
<b>Balance Sheet</b>		
Premiums receivable .....	(63,213)	285,961

In addition, during the year, the methodology used to measure the premium revenue was changed to conform with the new assessment based methodology developed by the Government of Canada for measuring tax revenue administered by the Canada Customs and Revenue Agency, including Employment Insurance premiums. This new methodology is further described in Note 7.

Prior to 2002-2003, premiums were measured using a methodology based on an economic and statistical model that included many factors such as the previous calendar year's total insurable earnings, the growth in the number of paid workers and in the average annual earnings.

This change in accounting policy has been applied retroactively and the 2001-2002 financial statements have been restated accordingly. The effect of the change for premiums on the current and previous year results is presented below:

Year ended and as at March 31	Increase (decrease)	
	2003	2002
(in thousands of dollars)		
<b>Statement of Operations and Accumulated Surplus</b>		
Premiums .....	(349,174)	(295,780)
Surplus for the year .....	(349,174)	(295,780)
Accumulated surplus at the beginning of the year .....	285,961	581,741
Accumulated surplus at the end of the year .....	(63,213)	285,961
<b>Balance Sheet</b>		
Premiums receivable .....	(63,213)	285,961

**4. Due from claimants**

Year ended and as at March 31	Increase (decrease)	
	2003	2002
(in thousands of dollars)		
<b>Benefit overpayments receivable .....</b>	400,677	354,670
<b>Amount of penalties receivable .....</b>	245,359	245,752
	646,036	600,422
<b>Less: allowance for doubtful accounts .....</b>	340,665	303,693
	305,371	296,729
<b>Estimated benefit repayments receivable from higher income claimants .....</b>	121,702	106,106
	427,073	402,835

**Employment Insurance Account—Continued**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2003—Continued

The Commission detects overpayments on claims processed during the current and preceding years. These overpayments are accounted for by reducing the benefit expenses during the year in which they are established. During the year, overpayments totalling \$315 million were established, including \$10 million in interest (\$273 million in 2001-2002).

The Commission may impose penalties on a claimant or an employer when it becomes aware that information they have provided is false or misleading. The Act sets the maximum amounts that may be imposed in these cases. During the year, the Commission imposed penalties totalling \$84 million, including \$9 million in interest (\$65 million in 2001-2002).

During 2002-2003, the Commission recovered \$302 million (\$295 million in 2001-2002). Uncollectable benefit overpayments and penalties written off during the year amounted to \$44 million (\$54 million in 2001-2002).

The Commission establishes an allowance for doubtful accounts by aging the balance of the accounts receivable outstanding and by applying varying percentages based on past recovery experience to the aging categories so determined.

In accordance with Treasury Board regulations requiring federal government departments to charge interest on overdue accounts receivable, the Account started to charge interest on outstanding Employment Insurance and Unemployment Insurance debts caused through misrepresentation. This measure became effective July 1, 2002.

**5. Amounts payable**

	2003	2002
	(in thousands of dollars)	
To Canada		
Tax deductions from warrants.....	28,878	10,035
Recoupments from warrants.....	3,402	5,176
Administration costs .....	(8,531)	2,799
	<hr/>	<hr/>
	23,749	18,010
To provinces		
Amounts payable to provinces related to Labour Market Development Agreements.....	(3,318)	2,256
Recoupments from warrants.....	1,778	1,900
Quebec tax deductions from warrants .....	2,907	816
	<hr/>	<hr/>
	1,367	4,972
	<hr/>	<hr/>
	25,116	22,982

**6. Accumulated surplus**

As at March 31, 2003, the accumulated surplus of the Account amounted to \$43,812 million (\$40,544 million as at March 31, 2002), an increase of \$3,268 million (\$3,909 million in 2001-2002) over the previous year.

In May 2001, the Act was amended to suspend the premium rate-setting process defined in section 66 of the Act. The premium rates for the years 2002 and 2003 were set by the Governor in Council on the recommendation of the Minister of Human Resources Development and the Minister of Finance.

For the following calendar years, premium rates for each \$100 of insurable earnings were:

	2003	2002	2001
	(in dollars)		
For employees.....	2.10	2.20	2.25
For employers (calculated at 1.4 times the employee rate) .....	2.94	3.08	3.15

**7. Premiums**

As indicated in Note 3, premiums for the year are now measured by the Canada Customs and Revenue Agency (CCRA). Premium revenue is measured based on amounts assessed and reassessed by the CCRA at the time of preparation of its financial statements and an estimate of premiums earned in the period but not yet assessed or reassessed. The estimate of premiums earned but not yet assessed or reassessed is based on cash amounts received at the time of preparation of the financial statements that relate to the fiscal year.

Actual premiums may differ from these estimates. Actual premium revenue for calendar years 2002 and 2003 will only be known once the CCRA has processed all employer declarations of premiums for these years. An adjustment for the difference between actual and estimated premiums will be recorded in the fiscal year in which the actual assessment or reassessment is completed.

Employers with qualified wage loss insurance plans are entitled to premium reductions. They are required to share this reduction with their employees. For the calendar year 2002, the total amount of reductions is estimated at \$532 million (\$507 million in 2001). Actual reductions for the calendar year 2001 were \$515 million (\$512 million in 2000). Employees insured under a qualified wage loss insurance plan are entitled to allowances because of illness, injury, pregnancy or child care, depending on the plan. These allowances have the effect of reducing the special benefits payable by the Account to the insured persons.

**Employment Insurance Account—Continued****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2003—Continued****8. Interest on the balance of the account with Receiver General for Canada**

Pursuant to section 76 of the Act, the Minister of Finance may authorize the payment of interest on the balance in the Account in accordance with such terms and conditions and at such rates as the Minister of Finance may establish. The interest is credited to the Account and charged to the Consolidated Revenue Fund.

The interest on the daily balance of the account with Receiver General for Canada is calculated daily and is credited to the Account. The interest rate on the balance of the account is equal to ninety percent of the monthly average of tender rates for three-month Treasury Bills for the same month. The interest rates varied from 2.15 percent to 2.76 percent during the year (1.73 percent to 4.01 percent in 2001-2002). The rate for March 2003 was 2.76 percent (2.02 percent for March 2002).

**9. Estimated overpayments and underpayments of benefits**

The Commission applies a selective rather than universal application of the internal control procedures because of the large number of claimants to be monitored and the need for prompt service. Therefore, the verification of claims is mainly done after claimants have begun to receive benefits.

In order to measure the effectiveness of the benefit payment process, the Commission has a program in place which estimates, through statistical extrapolation, the most likely value of incorrect benefits payouts. For benefits paid during the 12 months ended March 31, 2003, these undetected overpayments and underpayments are estimated to be \$470 million and \$118 million respectively (\$477 million and \$188 million for the 12 months ended March 31, 2002). These estimates are used by the Commission to assess the quality of decisions and the need, if any, to improve its systems and practices of processing claims.

There is not a direct link between the overpayments established during the year (as indicated in Note 4) and the estimated overpayments and underpayments of benefits for the same period.

**10. Administration costs**

	2003	2002
	(in thousands of dollars)	
<b>Administration costs by activity</b>		
Employment Insurance		
Income Benefits .....	587,096	571,656
Service Delivery		
Support .....	380,237	346,924
Corporate Services .....	300,145	303,238
Human Resources		
Investment .....	165,092	173,412
	<b>1,432,570</b>	<b>1,395,230</b>
Add: Administration costs incurred by provinces and territories .....	91,319	91,054
Less: Recovery of costs for maintaining the social insurance number registry and issuing replacement cards.....	(4,794)	(10,330)
	<b>1,519,095</b>	<b>1,475,954</b>

The administration costs of the Act are based on an estimate of costs incurred by the Commission during the year. This estimate is based on a formula allocating the expenses between the Department of Human Resources Development and the Account. The formula takes into consideration the source of funding—from the Account or from the Consolidated Revenue Fund—in the allocation of expenses. In addition, the administration costs incurred by the provinces and the territories to administer the labour market development agreements are included in the administration costs for the year.

**11. Related party transactions**

Related party transactions not otherwise disclosed in these financial statements include administration costs of \$117 million (\$120 million in 2001-2002) charged by Public Works and Government Services Canada for accommodation and rental costs, and \$103 million (\$107 million in 2001-2002) by the Canada Customs and Revenue Agency for collecting premiums from employers and employees and other related activities. These costs are charged to the Account based on memoranda of understanding.

Employment Insurance premiums include the employer's share of premiums paid by the federal government of \$373 million (\$362 million in 2001-2002).

The Account is a component of the Government of Canada reporting entity and is therefore related to all departments, agencies and Crown corporations. The Account enters into transactions with these entities in the normal course of business.

**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2003—*Concluded*

**12. Contingent liabilities**

In the normal course of the operations of the Account, numerous appeals against or by the Commission are presently outstanding. The outcome of these appeals is not presently determinable. Any claims resulting from the resolution of these appeals will be accounted for as an expense in the period in which the claim will be payable. However, in the opinion of management, the result of these appeals should not have a significant impact on the operations of the Account.

Two legal proceedings have been filed against Her Majesty the Queen contesting on substantially similar grounds the constitutional validity of the *Employment Insurance Act* and parts thereof. In particular, certain provisions relating to the fixing of premiums are being challenged. In management's opinion, the outcome of these proceedings cannot be determined at this time. The effect, if any, of the ultimate resolution of this matter will be accounted for in the year that they are known.

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**Employment Insurance Account—Concluded**

**SCHEDULE OF BENEFITS  
AND SUPPORT MEASURES  
FOR THE YEAR ENDED MARCH 31  
(in thousands of dollars)**

	2003	2002
<b>Part I—Income benefits</b>		Restated (Note 3)
Regular .....	8,675,970	8,555,470
Fishing .....	309,314	289,780
Worksharing .....	23,062	48,355
	<hr/> 9,008,346	<hr/> 8,893,605
<b>Special benefits</b>		
Parental .....	1,854,547	1,291,634
Maternity .....	844,551	847,729
Sickness .....	691,379	648,240
Adoption .....	25,721	19,614
	<hr/> 3,416,198	<hr/> 2,807,217
	<hr/> 12,424,544	<hr/> 11,700,822
<b>Part II—Employment benefits and support measures</b>		
<b>Employment benefits</b>		
Skills development .....	435,947	452,596
Self-employment .....	93,115	82,211
Job creation partnerships .....	67,598	57,830
Targeted wage subsidies .....	43,755	43,707
	<hr/> 640,415	<hr/> 636,344
<b>Support measures</b>		
Employment assistance .....	339,222	299,613
Labour market partnerships .....	270,711	237,315
Research and innovation .....	33,669	25,671
	<hr/> 643,602	<hr/> 562,599
<b>Transfer payments to provinces and territories</b> .....	892,751	892,906
<b>Benefits and support measures</b> .....	2,176,768	2,091,849
<b>Less: Benefit repayments received or to be received from higher income claimants.</b> .....	14,601,312	13,792,671
	<hr/> 99,845	<hr/> 98,821
	<hr/> 14,501,467	<hr/> 13,693,850

**Benefit rates — Income benefits**

Benefits paid represent the lesser of 55 percent of average insurable earnings, or \$413 per week. The benefit rate can be increased to a maximum of 80 percent of average insurable earnings or \$413 per week for claimants who are in a low-income family with children.

**Transfer payments to provinces and territories**

Labour Market Development Agreements have been concluded with most of the provinces and territories. The agreements can be of two types: co-management agreements where both parties assume responsibility for the planning and design of programs, or transfer agreements where the province or territory assumes full responsibility for the design and delivery of active employment programs.

The Canada-Quebec Labour Market Development Agreement is a transfer agreement. At the time of preparation of the financial statements, discussions were taking place with the province of Quebec regarding a cumulative amount of \$74 million (\$20 million in 2002-2003, \$17 million in 2001-2002, \$20 million in 2000-2001 and \$17 million in 1999-2000) charged to expenses even though the eligibility has not been agreed by both parties, as required by the agreement. The outcome of these discussions cannot be determined as yet. Any required adjustments will be accounted for in the year when the eligibility of these expenses is clarified.



# **SECTION 5**

**2002-2003**

***PUBLIC ACCOUNTS OF CANADA***

## **Accounts Payable and Accrued Liabilities**

### **CONTENTS**

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Accounts payable and accrued liabilities .....	5.4
Tax payables .....	5.8
Interest and matured debt .....	5.9
Allowance for guarantees .....	5.10

## ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

This section contains information on accounts reported on the Statement of Financial Position under "Accounts Payable and Accrued Liabilities". The establishment and operation of these accounts is authorized by Parliament in annual appropriation acts and other legislation. In many cases, these accounts represent accounts payable, accruals and allowances set up at year end under the authority granted to the President of the Treasury Board in the *Financial Administration Act*.

Table 5.1 presents the year-end balances of accounts payable and accrued liabilities by category. Chart 5A presents accounts payable and accrued liabilities by category at March 31, while Chart 5B compares accounts payable and accrued liabilities for the last ten fiscal years.

Most tables in this section present the continuity of accounts, by showing the opening and closing balances. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

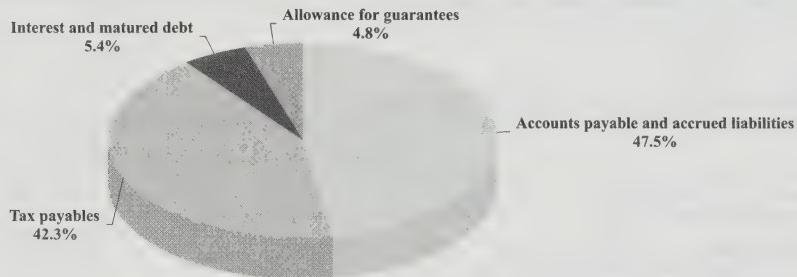
**TABLE 5.1**  
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 1/2002 <sup>(1)</sup>	March 31/2003
	\$	\$
Accounts payable and accrued liabilities, Table 5.2.....	35,286,355,362	37,731,109,974
Tax payables, Table 5.5 .....	34,283,864,886	33,548,550,713
Interest and matured debt, Table 5.6.....	7,806,439,516	4,302,411,609
Allowance for guarantees, Table 5.7.....	4,076,000,000	3,802,000,000
<b>Total.....</b>	<b>81,452,659,764</b>	<b>79,384,072,296</b>

<sup>(1)</sup> Certain comparative figures have been restated to reflect the current year's presentation.

**CHART 5A**

## ACCOUNTS PAYABLE AND ACCRUED LIABILITIES BY CATEGORY AT MARCH 31, 2003

**CHART 5B**ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AT MARCH 31  
(in millions of dollars)

## Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities includes accounts payable, accrued salaries and benefits, notes payable to international organizations, the provincial and territorial tax collection agreements account, miscellaneous paylist deductions, deferred revenues, cross-currency swap revaluation account and other accounts.

Table 5.2 presents a summary of the balances for the accounts in this category of accounts payable and accrued liabilities.

**TABLE 5.2**  
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 1/2002 <sup>(1)</sup>	March 31/2003
	\$	\$
Accounts payable.....	27,371,671,912	30,503,619,575
Add: consolidation adjustment <sup>(2)</sup> .....	846,985,000	916,320,000
	<i>28,218,656,912</i>	<i>31,419,939,575</i>
Accrued salaries and benefits .....	1,614,319,421	1,542,676,981
Notes payable to international organizations, Table 5.3 .....	943,533,830	681,024,730
Provincial and territorial tax collection agreements account, Table 5.4 .....	1,153,153,446	219,616,361
Miscellaneous paylist deductions .....	155,720,213	123,236,546
Deferred revenues .....	2,267,222,143	2,091,730,768
Cross-currency swap revaluation account .....	864,699,055	1,495,276,020
Other .....	69,050,342	157,608,993
Total.....	35,286,355,362	37,731,109,974

<sup>(1)</sup> Certain comparative figures have been restated to reflect the current year's presentation.

<sup>(2)</sup> Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

### Accounts payable

This account records amounts owing at the year end pursuant to contractual arrangements, or for work performed, goods received, or services rendered, accrued amounts to be paid from appropriations and statutory authorities, and accrued financial obligations of consolidated Crown corporations.

### Accrued salaries and benefits

This amount records salaries and wages owing at year-end, amounts owing for earned and unpaid annual vacation leave and compensation time, and other accrued amounts relating to unpaid or retro-active salaries.

## Notes payable to international organizations

Share capital subscriptions, and loans and advances are made to international organizations using cash and/or notes payable that are later presented for encashment according to terms of agreements. These demand notes are non-interest bearing and are non-negotiable. The subscriptions, loans and advances are recorded as assets and details are reported in Table 9.13 (Section 9 of this volume).

Table 5.3 presents the balances and transactions for the individual notes.

**TABLE 5.3**  
NOTES PAYABLE TO INTERNATIONAL ORGANIZATIONS

	Receipts and other credits			Payments and other charges		
	April 1/2002	Note issuances	Revaluation <sup>(1)</sup>	Note encashments	Revaluation <sup>(1)</sup>	March 31/2003
		\$	\$			\$
<b>Finance—</b>						
European Bank for Reconstruction and Development.....	23,234,503	11,576,444		11,214,269	2,204,378	21,392,300
International Development Association.....	420,448,000	230,133,000		430,944,000		219,637,000
Multilateral Investment Guarantee Agency.....	5,114,401				405,508	4,708,893
<b>Foreign Affairs and International Trade—</b>						
Canadian International Development Agency—						
Asian Development Bank.....	17,574,329			3,809,274	1,693,472	12,071,583
Caribbean Development Bank.....	7,523,786	985,021			264,176	8,244,631
Inter-American Development Bank .....	9,303,996			2,457,506	538,961	6,307,529
International financial institutions—						
Asian Development Fund.....	227,611,862	48,689,251		80,426,000		195,875,113
Caribbean Development Bank—Special .....	42,174,628	18,294,505		6,144,453		54,324,680
Global Environment Facility Trust Fund .....	146,101,250	39,735,001		27,373,250		158,463,001
International Fund for Agriculture Development.....	38,948,636	3,195,056		42,143,692		
Montreal Protocol Fund .....	5,498,439	5,498,439		10,996,878		
	460,334,815	115,412,252		167,084,273		408,662,794
Total .....	943,533,830	358,106,717		615,509,322	5,106,495	681,024,730

<sup>(1)</sup> Notes denominated in foreign currencies are translated into Canadian dollars at the year-end closing rate of exchange.

## Provincial and territorial tax collection agreements account

This account records both income taxes administered by the Government of Canada on behalf of provinces and territories pursuant to the *Federal-Provincial Fiscal Arrangements Act* and harmonized sales tax and sales taxes pursuant to the *Excise Tax Act*, and related payments made to them.

Under the *Federal-Provincial Fiscal Arrangements Act*, the Government of Canada is empowered to enter into agreements with provincial and territorial governments, to collect income taxes on their behalf, and to make payments to them with respect to such taxes. Furthermore, under the *Excise Tax Act*, the Government is also empowered to enter into agreements with provincial governments, to collect the harmonized sales tax on their behalf, and to make payments to them with respect to such tax.

The Government of Canada entered into agreements with provinces and territories (excluding Quebec), to collect individual income tax, and, with provinces and territories (excluding Quebec, Ontario and Alberta except for the tax on preferred shares dividend), to collect corporate income tax, and, to pay in equal monthly instalments to such provinces and territories, the estimated revenues to be produced by the respective provincial and territorial taxes. The Government also entered into agreements with the provinces of Nova Scotia, New Brunswick

and Newfoundland and Labrador, to collect the harmonized sales tax on their behalf, and to make payments to them with respect to such tax. Furthermore, the Government also entered into agreements with the First Nations, to collect sales taxes, and to make payments to them with respect to such agreements.

Because the *Public Accounts of Canada* reports information on an April to March fiscal year basis and because tax information is calculated on a calendar year basis, there can be transactions related to several tax years during any given fiscal year. For example, during a fiscal year the Minister of Finance makes current payments, based on estimates, for two calendar years (April to December and January to March). During this period, it is also necessary to make payments or adjustments related to final determinations of tax revenues, rebates and credits for previous tax years.

Table 5.4 presents the accumulated balances and the net position of the revenues and the payments made to the provinces and territories for corporate and personal income taxes as well as for harmonized sales tax and sales taxes.

**TABLE 5.4**  
PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT

	April 1/2002 <sup>(1)</sup>	Receipts and other credits	Payments and other charges	March 31/2003
	\$	\$	\$	\$
Total Personal Income Tax administered by Canada Customs and Revenue Agency .....	240,816,135	32,983,351,680		33,224,167,815
Less: payments to provinces and territories—				
Newfoundland and Labrador .....		692,566,655	692,566,655	
Prince Edward Island .....		174,362,986	174,362,986	
Nova Scotia .....		1,427,027,345	1,427,027,345	
New Brunswick .....		931,388,351	931,388,351	
Ontario .....		18,447,729,234	18,447,729,234	
Manitoba .....		1,490,327,661	1,490,327,661	
Saskatchewan .....		1,429,535,428	1,429,535,428	
Alberta .....		4,734,963,273	4,734,963,273	
British Columbia .....		4,416,686,150	4,416,686,150	
Yukon .....		32,818,342	32,818,342	
Northwest Territories .....		52,368,903	52,368,903	
Nunavut .....		26,451,041	26,451,041	
First Nations .....		2,668,550	2,668,550	
		33,858,893,919	33,858,893,919	
Total personal income tax on hand .....	240,816,135	32,983,351,680	33,858,893,919	(634,726,104)

**TABLE 5.4****PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—Concluded**

	April 1/2002 <sup>(1)</sup>	Receipts and other credits	Payments and other charges	March 31/2003
	\$	\$	\$	\$
<b>Total Corporate Income Tax administered by Canada Customs and Revenue Agency . . . . .</b>	<b>677,033,672</b>	<b>1,833,253,813</b>		<b>2,510,287,485</b>
Less: payments to provinces and territories—				
Newfoundland and Labrador . . . . .		82,037,094		82,037,094
Prince Edward Island . . . . .		16,872,244		16,872,244
Nova Scotia . . . . .		163,719,468		163,719,468
New Brunswick . . . . .		173,510,002		173,510,002
Ontario . . . . .		154,132,039		154,132,039
Manitoba . . . . .		33,574,894		33,574,894
Saskatchewan . . . . .		177,387,370		177,387,370
Alberta . . . . .		171,512,104		171,512,104
British Columbia . . . . .		31,570,552		31,570,552
Yukon . . . . .		610,698,311		610,698,311
Northwest Territories . . . . .		5,112,711		5,112,711
Nunavut . . . . .		310,062,348		310,062,348
First Nations . . . . .		5,599,055		5,599,055
		1,935,788,192		1,935,788,192
<b>Total corporate income tax on hand . . . . .</b>	<b>677,033,672</b>	<b>1,833,253,813</b>	<b>1,935,788,192</b>	<b>574,499,293</b>
<b>Total Harmonized Sales Tax administered by Canada Customs and Revenue Agency . . . . .</b>	<b>235,087,979</b>	<b>2,192,014,632</b>		<b>2,427,102,611</b>
Less: payments to provinces and territories—				
Newfoundland and Labrador . . . . .		536,990,205		536,990,205
Nova Scotia . . . . .		906,705,579		906,705,579
New Brunswick . . . . .		703,885,340		703,885,340
		2,147,581,124		2,147,581,124
<b>Total harmonized sales tax on hand . . . . .</b>	<b>235,087,979</b>	<b>2,192,014,632</b>	<b>2,147,581,124</b>	<b>279,521,487</b>
<b>Total First Nations Sales Tax administered by Canada Customs and Revenue Agency . . . . .</b>	<b>215,660</b>	<b>3,749,036</b>		<b>3,964,696</b>
Less: payments to First Nations . . . . .			3,643,011	3,643,011
<b>Total First Nations Sales Tax on hand . . . . .</b>	<b>215,660</b>	<b>3,749,036</b>	<b>3,643,011</b>	<b>321,685</b>
<b>Total . . . . .</b>	<b>1,153,153,446</b>	<b>37,012,369,161</b>	<b>37,945,906,246</b>	<b>219,616,361</b>

<sup>(1)</sup> Certain comparative figures have been restated to reflect the current year's presentation.

**Miscellaneous paylist deductions**

Deductions from the salaries and wages of certain employees are credited to this account pending transmittal to related outside organizations.

**Deferred revenues**

This account records non-tax revenues received before the end of the current fiscal year for which the goods or services are to be delivered or rendered in a subsequent fiscal year. It also includes licence fees received for which access to the radio spectrum is being provided in subsequent years.

**Cross-currency swap revaluation account**

This account records the unrealized gains or losses due to fluctuations in the foreign exchange value of the cross-currency swaps.

**Other**

Miscellaneous accounts payable and accrued liabilities such as provincial sales tax collected on sales are recorded in this account.

## Tax Payables

Tax payables include amounts payable to taxpayers based on assessments as well as estimates of refunds owing for assessments not completed by year-end. Table 5.5 presents a summary of the balances for the different tax revenue streams.

**TABLE 5.5**  
**TAX PAYABLES**

	April 1/2002	March 31/2003
	\$	\$
Personal and non-resident income tax .....	18,925,510,866	18,732,206,067
Corporate income tax .....	8,883,283,180	8,258,328,394
Goods and services tax .....	6,419,717,038	6,484,486,755
Customs and excise .....	55,353,802	73,529,497
Total.....	34,283,864,886	33,548,550,713

### Personal and non-resident income tax

This account records tax refunds payable to individual taxpayers as well as amounts payable to employers and other withholdingholders of personal income tax. This account also includes any interest owing on the balances.

### Corporate income tax

This account records tax refunds payable and any interest owing to corporate taxpayers.

### Goods and services tax

This account records refunds, rebates and any interest owing related to the goods and services tax.

### Customs and excise

This account records refunds of customs import duties, excise taxes and duties, energy taxes and any interest owing on the balances.

## Interest and Matured Debt

Interest and matured debt includes interest due, interest accrued, matured debt, and unamortized discounts, premiums and commissions on unmatured debt.

Table 5.6 presents a summary of the balances for the accounts in this category of accounts payable and accrued liabilities.

**TABLE 5.6**

### INTEREST AND MATURED DEBT

	April 1/2002 <sup>(1)</sup>	March 31/2003
	\$	\$
Interest due.....	4,019,842,770	3,652,749,150
Interest accrued.....	6,117,760,424	5,622,616,681
Matured debt.....	270,912,777	282,600,274
	<hr/>	<hr/>
Less: unamortized discounts on Canada bills.....	10,408,515,971	9,557,966,105
unamortized discounts on Treasury bills.....	6,039,325	3,004,946
unamortized discounts and premiums on marketable bonds.....	830,773,375	1,023,201,681
unamortized commissions on Canada savings and Canada premium bonds.....	1,758,303,276	4,228,900,903
	6,960,479	446,966
	<hr/>	<hr/>
Total.....	2,602,076,455	5,255,554,496
	<hr/>	<hr/>
	7,806,439,516	4,302,411,609

<sup>(1)</sup> Certain comparative figures have been restated to reflect the current year's presentation.

#### Interest due

Interest due is the interest on the bonded debt, which is due and payable but has not been redeemed by bond holders.

#### Interest accrued

Interest accrued is the interest accumulated as at March 31 on the bonded debt and certain other liabilities, that is not payable until a future date.

#### Matured debt

This account records financial obligations represented by certificates of indebtedness issued by the Government, that have become due but that have not been presented for redemption. Unclaimed matured bonds are transferred to other revenues if they remain unredeemed 15 years after the date of call or maturity, whichever is earlier; the minimum time before such a transfer is made is 5 years from the date of maturity.

#### Unamortized discounts on Canada bills

This account records the portion of the discounts on outstanding Canada bills which has not yet been charged to expenses. Discounts are amortized over the life of the bills.

#### Unamortized discounts on Treasury bills

This account records the portion of the discounts on outstanding Treasury bills which has not yet been charged to expenses. Discounts are amortized over the life of the bills.

#### Unamortized discounts and premiums on marketable bonds

This account records the portion of the discounts and premiums on outstanding marketable bonds which has not yet been charged to expenses. Discounts and premiums are amortized over the life of the bonds.

#### Unamortized commissions on Canada savings and Canada premium bonds

This account records the portion of the commissions on outstanding Canada savings bonds and Canada premium bonds which has not yet been charged to expenses. Commissions are amortized over the life of the bonds.

## Allowance for Guarantees

This category of accounts payable and accrued liabilities includes the allowance for loan guarantees and the allowance for borrowings of Crown corporations.

Table 5.7 presents a summary of the balances for the accounts in this category of accounts payable and accrued liabilities.

**TABLE 5.7**  
**ALLOWANCE FOR GUARANTEES**

	April 1/2002	March 31/2003
	\$	\$
Allowance for loan guarantees .....	555,000,000	823,000,000
Allowance for borrowings of Crown corporations .....	3,521,000,000	2,979,000,000
Total .....	4,076,000,000	3,802,000,000

### Allowance for loan guarantees

This account records potential losses on loan guarantees when it is likely that a payment will be made in the future to honour a guarantee and when the amount of the loss can be reasonably estimated.

### Allowance for borrowings of Crown corporations

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent enterprise Crown corporations, and interest thereon, is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute unconditional obligations of the Government.

Borrowings of non-agent Crown corporations and other government business enterprises may, at times, be guaranteed by the Government.

This account reports the borrowings of agent and non-agent enterprise Crown corporations and other government business enterprises expected to be repaid by the Government (see Table 9.6 in Section 9 of this volume).

# SECTION 6

2002-2003

*PUBLIC ACCOUNTS OF CANADA*

## Interest-Bearing Debt

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## INTEREST-BEARING DEBT

This section contains information on the interest-bearing debt of the Government. Interest-bearing debt includes the unmatured debt and pension and other accounts.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as receipts and other credits, and payments and other charges.

Table 6.1 presents the transactions and year-end balances of interest-bearing debt. Chart 6A presents interest-bearing debt by category for the current fiscal year, while Chart 6B compares interest-bearing debt for the last ten fiscal years.

The financial statements of the Canada Pension Plan, the Government Annuities Account and the Royal Canadian Mounted Police (Dependants) Pension Fund, together with the Auditor General's reports thereon, are presented at the end of this section.

A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

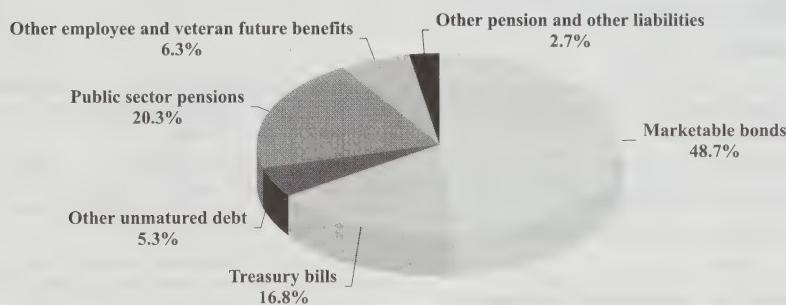
**TABLE 6.1**  
**INTEREST-BEARING DEBT**

	April 1/2002	Receipts and	Payments and	March 31/2003
		other credits	other charges	
<b>Unmatured debt<sup>(1)</sup>—</b>				
Payable in Canadian currency—				
Marketable bonds, Table 6.2 .....	293,843,249,241	69,658,108,748	75,255,983,324	288,245,374,665
Treasury bills, Table 6.3 .....	94,039,584,000	236,750,000,000	226,378,644,000	104,410,940,000
Canada savings and Canada premium bonds, Table 6.4 .....	23,966,295,610	2,736,701,235	4,118,841,573	22,584,155,272
Non-marketable bonds and notes, Table 6.5 .....	3,390,558,329		19,776,636	3,370,781,693
	415,239,687,180	309,144,809,983	305,773,245,533	418,611,251,630
Payable in foreign currencies—				
Marketable bonds, Table 6.2 .....	19,271,445,255	494,316,682	5,747,172,810	14,018,589,127
Canada bills, Table 6.6 .....	3,355,445,059	16,544,108,343	17,296,668,435	2,602,884,967
Canada notes, Table 6.7 .....	1,201,800,000	42,400,000		1,244,200,000
Euro medium-term notes, Table 6.8 .....	3,203,092,787	215,800,000	143,921,948	3,274,970,839
	27,031,783,101	17,296,625,025	23,187,763,193	21,140,644,933
Total—Unmatured debt .....	442,271,470,281	326,441,435,008	328,961,008,726	439,751,896,563
<b>Pension and other liabilities—</b>				
Public sector pensions, Table 6.13—				
Superannuation accounts .....	130,855,644,822	14,929,353,434	11,879,092,536	133,905,905,720
Allowance for pension adjustments .....	(3,935,000,000)	487,000,000	4,750,000,000	(8,198,000,000)
	126,920,644,822	15,416,353,434	16,629,092,536	125,707,905,720
Other employee and veteran future benefits, Table 6.25 .....	38,280,000,000	3,247,000,000	2,683,000,000	38,844,000,000
Due to Canada Pension Plan, Table 6.26—				
Canada Pension Plan Account .....	6,769,845,583	27,940,668,708	27,617,844,347	7,092,669,944
Other liabilities—				
Government Annuities Account .....	471,251,053	30,950,855	64,732,123	437,469,785
Deposit and trust accounts, Table 6.27 .....	1,392,893,486	766,489,103	683,195,527	1,476,187,062
Other specified purpose accounts, Table 6.30 .....	4,106,819,878	2,469,626,037	1,847,462,187	4,728,983,728
Deferred revenue—Specified purpose accounts, Table 6.33 .....	57,280,787	57,026,975	60,979,570	53,328,192
Obligations related to capital leases, Table 6.34 .....	2,619,115,718 8,647,360,922	100,379,852 3,424,472,822	56,174,684 2,712,544,091	2,663,320,886 9,359,289,653
Total—Pension and other liabilities .....	180,617,851,327	50,028,494,964	49,642,480,974	181,003,865,317
Total .....	622,889,321,608	376,469,929,972	378,603,489,700	620,755,761,880

<sup>(1)</sup> This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.12.

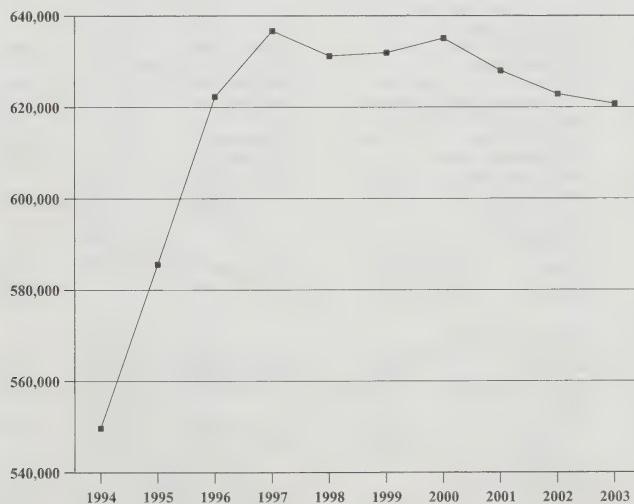
**CHART 6A**

INTEREST-BEARING DEBT BY CATEGORY AT MARCH 31, 2003

**CHART 6B**

INTEREST-BEARING DEBT AT MARCH 31

(in millions of dollars)



## UNMATURED DEBT

Unmatured debt represents financial obligations resulting from certificates of indebtedness issued by the Government of Canada that have not yet become due.

The Government's holdings of its own securities have been deducted from unmatured debt, to report the amount of the Government's liabilities to outside parties.

### Marketable Bonds

Marketable bonds are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- bought and sold on the open market;
- payable in Canadian or foreign currency;
- subject to call or redemption before maturity;
- fixed dates of maturity;
- interest payable either in coupon or registered form; and,
- face value guaranteed at maturity.

Registered marketable bonds are transferable by endorsement and delivery by one holder to another. Bearer marketable bonds need not be endorsed.

Table 6.2 presents a summary of the balances and transactions for marketable bonds. Since most of the marketable bonds are not subject to call or redemption before maturity, exceptions only are noted in the table.

The year-end balances of marketable bonds payable in foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2003.

**TABLE 6.2**  
MARKETABLE BONDS

Maturity date	%	Issue date	Series	April 1/2002	Receipts and other credits <sup>(1)</sup>		Payments and other charges <sup>(1)</sup>		\$
					\$	\$	\$	\$	
<b>Payable in Canadian currency—</b>									
Matured 2002-2003									
2002—Apr 1	8.5	Nov 14/91-Dec 15/91 Mar 1/92-May 1/92 Jul 15/92	A47	5,450,000,000				5,450,000,000	
May 1	10	May 1/79-Jun 1/79 Jul 15/79	J25	1,662,040,000				1,662,040,000	
June 1	5.75	Dec 1/99-Mar 15/2000	XA78	5,162,000,000				5,162,000,000	
Sept 1	5.5	Mar 3/97-Jun 2/97							
Dec 1	6	Sep 2/97-Dec 1/97	WE00	9,522,000,000				9,522,000,000	
Dec 15	11.25	Jun 15/2000-Sep 15/2000 Dec 15/79-Jul 1/80	XC35	5,711,000,000				5,711,000,000	
2003—Feb 1	11.75	May 15/83 Feb 1/80-Jun 1/80 Aug 1/80-Feb 1/83 Apr 27/83-Jun 21/83 Jul 12/83	J34	1,072,928,000				1,072,928,000	
			J35	1,733,148,000				1,733,148,000	
				30,313,116,000				30,313,116,000	
<b>Maturing 2003-2004</b>									
2003—June 1	7.25	Sep 25/92-Oct 26/92 Nov 20/92-Jan 18/93 Feb 15/93	A57	6,900,000,000				395,011,000	6,504,989,000
June 1	5.75	Nov 24/2000-Mar 16/2001	XE90	7,000,000,000				5,876,339,000	1,123,661,000
Sept 1	5.25	Mar 2/98-Jun 1/98							
Oct 1	9.5	Sep 1/98-Dec 1/98	WN09	9,700,000,000				1,469,808,000	8,230,192,000
Dec 1	7.5	Aug 15/78-Oct 1/78 May 2/93-Jul 1/93	J18	452,407,000					452,407,000
		Aug 16/93-Sep 28/93							
Dec 1	5	Nov 15/93	A61	8,800,000,000				220,845,000	8,579,155,000
		Jun 15/2001-Aug 31/2001	XF65	7,000,000,000				1,092,650,000	5,907,350,000

**TABLE 6.2**

## MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/2002	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2003
				\$	\$	\$	\$
2004—Feb 1	10.25	Feb 1/79-Mar 15/79 Mar 21/79-Aug 15/79	J24	1,081,144,000 40,933,551,000		151,900,000 9,206,553,000	929,244,000 31,726,998,000
Maturing 2004-2005							
2004—June 1	13.5	Apr 1/84-May 1/84	H22	541,000,000			541,000,000
June 1	6.5	Jan 14/94-Feb 15/94					
		Apr 1/94-May 1/94	A72	7,900,000,000			7,900,000,000
June 1	3.5	Nov 30/2001-Mar 8/2002	XK50	7,000,000,000			7,000,000,000
Sept 1	5	Mar 1/99-Jun 1/99					
		Aug 16/99-Oct 1/99	WU42	10,850,000,000		472,946,000	10,377,054,000
Oct 1	10.5	Oct 1/79-Dec 15/87	J30	295,914,000		22,354,000	273,560,000
Dec 1	4.25	May 31/2002-Aug 30/2002	XL34		6,500,000,000		6,500,000,000
Dec 1	9	Jul 15/94-Aug 15/94					
2005—Mar 1	12	Nov 15/94-Feb 15/95	A75	7,700,000,000			7,700,000,000
		Oct 15/83-Nov 8/83					
		Dec 15/83-Feb 1/84					
		Feb 21/84-Dec 15/84	H9	715,929,000 35,002,843,000	6,500,000,000	218,734,000 714,034,000	497,195,000 40,788,809,000
Maturing 2005-2006							
2005—June 1	3.5	Nov 29/2002-Feb 3/2003					
		Mar 7/2003	XP48		7,400,000,000		7,400,000,000
Sept 1	12.25	Aug 1/83-Sep 1/83					
		Sep 27/83-Apr 10/85	H6	1,065,355,000			1,065,355,000
Sept 1	6	Nov 15/99-Feb 15/2000					
		May 15/2000-Aug 15/2000	WY63	11,100,000,000		180,000,000	10,920,000,000
Dec 1	8.75	Apr 3/95-May 15/95					
		Aug 15/95-Nov 15/95	A79	8,000,000,000		1,451,532,000	6,548,468,000
2006—Mar 1	12.5	Mar 13/84-Nov 14/84					
		Mar 19/85	H18	334,664,000 20,500,019,000	7,400,000,000	59,150,000 1,690,682,000	275,514,000 26,209,337,000
Maturing 2006-2007							
2006—Sept 1	5.75	Nov 14/2000-Feb 12/2001					
		Jun 4/2001-Aug 20/2001	XD18	10,000,000,000			10,000,000,000
Oct 1	14	Jun 1/84-Jul 11/84					
		Aug 1/84	H26	804,115,000		32,763,000	771,352,000
Dec 1	7	Feb 15/96-Mar 29/96					
		May 15/96-Aug 15/96	VU50	9,100,000,000		2,060,273,000	7,039,727,000
2007—Mar 1	13.75	Jun 19/84	H30	260,747,000 20,164,862,000	56,009,000 2,149,045,000	204,738,000 18,015,817,000	
Maturing 2007-2008							
2007—June 1	7.25	Oct 1/96-Nov 15/96					
		Feb 17/97-May 15/97	WB60	9,500,000,000		693,534,000	8,806,466,000
Sept 1	4.5	Nov 19/2001-Feb 18/2002					
		May 21/2002-Jul 22/2002					
Oct 1	13	Aug 19/2002	XJ87	5,000,000,000	5,400,000,000		10,400,000,000
2008—Mar 1	12.75	Aug 22/84-Sep 12/84	H36	524,249,000	39,185,000	485,064,000	
		Oct 1/84-Oct 24/84	H41	626,950,000 15,651,199,000	2,500,000 5,400,000,000	624,450,000 735,219,000	20,315,980,000
Maturing 2008-2009							
2008—June 1	6	Aug 15/97-Nov 17/97					
		Feb 16/98-May 15/98	WH31	9,200,000,000		170,000,000	9,030,000,000
June 1	10	Dec 15/85-Sep 1/87					
		Feb 1/88-Apr 14/88					
		Jun 1/88-Jul 21/88					
		Oct 15/88-Dec 15/88					
		Feb 23/89-Jun 1/89	H74	3,257,854,000			3,257,854,000
Sept 1	4.25	Nov 18/2002-Dec 23/2002					
		Feb 24/2003-Mar 31/2003	XN99		5,600,000,000		5,600,000,000
Oct 1	11.75	Feb 1/85-May 1/85	H52	449,282,000		24,754,000	424,528,000
2009—Mar 1	11.5	May 22/85	H58	264,947,000 13,172,083,000	18,488,000 5,600,000,000	246,459,000 213,242,000	18,558,841,000

**TABLE 6.2**MARKETABLE BONDS—*Continued*

Maturity date	%	Issue date	Series	April 1/2002	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2003
				\$	\$	\$	\$
Maturing 2009-2010							
2009—June 1	5.5	Aug 17/98-Nov 16/98 Feb 15/99-May 17/99 Oct 1/85-Oct 23/85 Oct 15/87	WR13	9,400,000,000		20,000,000	9,380,000,000
June 1	11	Jun 12/85-Jul 1/85	H68	672,831,000		3,875,000	668,956,000
Oct 1	10.75	Sep 1/85-Sep 1/88	H63	454,066,000		123,688,000	330,378,000
2010—Mar 1	9.75	Mar 15/86	H79	149,309,000		60,475,000	88,834,000
				10,676,206,000		208,038,000	10,468,168,000
Maturing 2010-2011							
2010—June 1	9.5	Apr 10/86-Jul 1/87 Jul 1/89-Aug 10/89 Oct 1/89-Dec 15/89 Feb 1/90	H81	2,474,254,000		1,689,000	2,472,565,000
June 1	5.5	Aug 3/99-Nov 1/99 Feb 1/2000-Mar 20/2000	WX80	10,400,000,000			10,400,000,000
Oct 1	8.75	Apr 28/86	H85	159,146,000		16,997,000	142,149,000
2011—Mar 1	9	Jul 3/86-Sep 2/86 Oct 23/86-Dec 15/86 May 1/87-Mar 15/88	H87	905,209,000 13,938,609,000		195,462,000 214,148,000	709,747,000 13,724,461,000
Maturing 2011-2012							
2011—June 1	8.5	Feb 19/87-Mar 15/87	H98	669,390,000			669,390,000
June 1	6	May 1/2000-Aug 1/2000 Oct 30/2000-Jan 29/2001 May 7/2001-Jul 30/2001	XB51	15,000,000,000 15,669,390,000			15,000,000,000 15,669,390,000
Maturing 2012-2013							
2012—June 1	5.25	Oct 29/2001-Feb 11/2002 Apr 22/2002-Jun 25/2002 Aug 6/2002-Sep 30/2002 Oct 15/2002	XH22	5,000,000,000	6,600,000,000		11,600,000,000
Maturing 2013-2014							
2013—June 1	5.25	Nov 4/2002-Dec 16/2002 Feb 10/2003-Mar 24/2003	XM17		6,000,000,000		6,000,000,000
2014—Mar 15	10.25	Mar 15/89-Mar 30/89 Mar 15/90-Jul 1/90 Aug 1/90-Feb 21/91	A23	2,584,438,000 2,584,438,000	6,000,000,000	415,002,000 415,002,000	2,169,436,000 8,169,436,000
Maturing 2015-2016							
2015—June 1	11.25	May 1/90-May 31/90 Oct 1/90-Nov 15/90	A34	2,106,140,000		874,310,000	1,231,830,000
Maturing 2019-2020							
2019—Dec 31	10.186	Mar 23/90	M01	8,436,324		8,436,324	
Maturing 2020-2021							
2021—Mar 15	10.5	Dec 15/90-Jan 9/91 Feb 1/91	A39	1,723,000,000		331,222,000	1,391,778,000
Maturing 2021-2022							
2021—June 1	9.75	May 9/91-Jun 1/91 Jul 1/91-Aug 1/91 Sep 1/91-Oct 17/91 Dec 10/91-Oct 14/92 May 1/93-Dec 1/93 Feb 22/94-Jun 21/94 Sep 15/94-Dec 15/94 Feb 2/95-May 8/95 Aug 4/95	A43	3,989,004,000		1,909,597,000	2,079,407,000
Dec 1	4.25 <sup>(2)</sup>	L25	6,159,750,849 10,148,754,849	267,470,341 267,470,341		1,909,597,000	6,427,221,190 8,506,628,190

**TABLE 6.2**

## MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/2002	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2003
				\$	\$	\$	\$
Maturing 2022-2023 2022—June 1	9.25	Dec 15/91-Jan 3/92 May 15/92	A49	1,633,078,000		733,950,000	899,128,000
Maturing 2023-2024 2023—June 1	8	Aug 17/92-Feb 1/93 Apr 1/93-Jul 26/93 Oct 15/93-Feb 1/94 May 2/94	A55	8,200,000,000		145,811,000	8,054,189,000
Maturing 2025-2026 2025—June 1	9	Aug 2/94-Nov 1/94 Feb 1/95-May 1/95 Aug 1/95-Nov 1/95 Feb 1/96	A76	8,900,000,000		162,000,000	8,738,000,000
Maturing 2026-2027 2026—Dec 1	4.25 <sup>(2)</sup>	Dec 7/95-Mar 6/96 Jun 6/96-Sep 6/96 Dec 6/96-Mar 12/97 Jun 9/97-Sep 8/97 Dec 8/97-Mar 9/98 Jun 8/98-Sep 8/98 Dec 7/98	VS05	5,911,148,489	256,675,462		6,167,823,951
Maturing 2027-2028 2027—June 1	8	May 1/96-Aug 1/96 Nov 1/96-Feb 3/97 May 1/97-Aug 1/97 Nov 3/97	VW17	9,600,000,000		276,888,000	9,323,112,000
Maturing 2029-2030 2029—June 1	5.75	Feb 2/98-May 1/98 Nov 2/98-May 3/99 Oct 15/99-Apr 24/2000 Oct 16/2000-Apr 23/2001	WL43	13,900,000,000			13,900,000,000
Maturing 2031-2032 2031—Dec 1	4 <sup>(2)</sup>	Mar 8/99-Jun 8/99 Sep 7/99-Dec 6/99 Mar 6/2000-Jun 5/2000 Sep 5/2000-Dec 11/2000 Mar 5/2001-Jun 11/2001 Sep 24/2001-Dec 10/2001 Mar 18/2002-Jun 10/2002 Sep 16/2002-Dec 9/2002 Mar 17/2003	WV25	4,761,282,579	1,787,481,945		6,548,764,524
Maturing 2033-2034 2033—June 1	5.75	Oct 15/2001-Jan 21/2002 Mar 4/2002-May 6/2002 Jul 15/2002-Nov 25/2002 Jan 20/2003-Mar 3/2003	XG49	4,400,000,000	4,800,000,000		9,200,000,000
Less: Government's holdings—				294,898,156,241	44,611,627,748	50,301,293,324	289,208,490,665
Government's holdings .....				1,033,419,000	25,046,481,000	24,952,329,000	939,267,000
Consolidation adjustment <sup>(3)</sup> .....				21,488,000		2,361,000	23,849,000
Total marketable bonds (Canadian currency) .....				1,054,907,000	25,046,481,000	24,954,690,000	963,116,000
				293,843,249,241	69,658,108,748	75,255,983,324	288,245,374,665

TABLE 6.2

## MARKETABLE BONDS—Concluded

Maturity date	%	Issue date	Series	April 1/2002	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2003
				\$	\$	\$	\$
<b>Payable in foreign currencies—</b>							
2002—July 15	6.125	Jul 15/97		1,594,200,000		1,594,200,000	
2003—Feb 19	5.625	Feb 19/98		3,188,400,000		3,188,400,000	
2003—June 30 <sup>(4)</sup>	9.50	Feb 5/2001		153,672,909		12,184,328	141,488,581
2004—Nov 30	6.375	Nov 30/99		3,188,400,000		252,800,000	2,935,600,000
2005—July 21	6.375	Jul 21/95		2,391,300,000		189,600,000	2,201,700,000
2006—Aug 28	6.75	Aug 28/96		1,594,200,000		126,400,000	1,467,800,000
2007—Oct 3	<sup>(5)</sup>	Oct 3/97		508,549,800		40,321,600	468,228,200
2008—July 7	4.875	Jul 7/98		2,838,488,008	441,347,152		3,279,835,160
2008—Nov 5	<sup>(5)</sup>	Nov 5/98		3,985,500,000		316,000,000	3,669,500,000
2010—Jan 15 <sup>(4)</sup>	8.60	Feb 5/2001		251,716,209		19,957,928	231,758,281
2016—Dec 15 <sup>(4)</sup>	8.25	Feb 5/2001		60,968,585		4,834,042	56,134,543
2018—June 30 <sup>(4)</sup>	9.70	Feb 5/2001		25,634,736		2,032,512	23,602,224
2019—June 1 <sup>(4)</sup>	8.80	Feb 5/2001		5,579,700		442,400	5,137,300
				19,786,609,947	441,347,152	5,747,172,810	14,480,784,289
<b>Less: Government's holdings and securities held for the retirement of unmatured debt <sup>(6)</sup> .....</b>				515,164,692	52,969,530		462,195,162
<b>Total marketable bonds (foreign currencies).....</b>				19,271,445,255	494,316,682	5,747,172,810	14,018,589,127
<b>Total .....</b>				313,114,694,496	70,152,425,430	81,003,156,134	302,263,963,792

<sup>(1)</sup> This column includes the translation of marketable bonds payable in foreign currencies to Canadian dollars using the closing rates of exchange at March 31.

<sup>(2)</sup> The rate of return of this issue is linked to the Consumer Price Index for Canada.

<sup>(3)</sup> Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

<sup>(4)</sup> Assumed by the Government of Canada on February 5, 2001 upon the dissolution of Petro Canada Limited.

<sup>(5)</sup> The rate of interest was variable throughout the year.

<sup>(6)</sup> These securities were assumed by the Government of Canada on February 5, 2001 upon the dissolution of Petro Canada Limited. These are presented as a deduction from the foreign currency unmatured debt since they are held specifically for the repayment of the corresponding liabilities assumed upon the dissolution of the Corporation. They include an amount of \$123 million in Government's holdings.

## Treasury Bills

Treasury bills are short-term certificates of indebtedness issued by the Government of Canada to pay sums of money on given dates, and have the following characteristics:

- issued at a discount in lieu of interest payments;
- issued in Canadian currency only;
- issued every 2 weeks;
- common terms: 3 months, 6 months and 12 months;
- transferable; and,
- bought and sold on the open market.

The balance at March 31, 2003 consists of \$4,000 million in odd issue bills; \$30,800 million in three-month bills; \$23,800 million in six-month bills; and, \$46,000 million in 364-day bills.

Table 6.3 presents a monthly summary of Treasury bill issues and redemptions.

**TABLE 6.3**

### TREASURY BILLS

(in millions of dollars)

	Issues				Redemptions				Net change
	3 month bills	6 month bills	Other bills	Total	3 month bills	6 month bills	Other bills	Total	
April, 2002 .....	9,100	3,700	6,700	19,500	8,500	3,500	3,200	15,200	4,300
May .....	9,400	3,800	5,800	19,000	8,800	3,600	2,900	15,300	3,700
June .....	9,400	3,800	5,300	18,500	8,500	3,500	5,800	17,800	700
July .....	8,800	3,600	4,350	16,750	8,500	3,500	6,600	18,600	(1,850)
August .....	13,500	5,500	6,750	25,750	14,100	7,100	3,950	25,150	600
September .....	8,800	3,600	5,600	18,000	9,400	3,500	4,550	17,450	550
October .....	9,400	3,800	6,550	19,750	8,800	3,800	5,500	18,100	1,650
November .....	9,700	3,900	5,650	19,250	9,100	3,800	3,600	16,500	2,750
December .....	8,500	3,500	4,500	16,500	8,800	3,700	6,250	18,750	(2,250)
January, 2003 .....	12,600	5,200	8,200	26,000	13,800	3,700	9,850	27,350	(1,350)
February .....	8,800	3,600	4,350	16,750	9,700	3,600	6,500	19,800	(3,050)
March .....	9,400	3,800	7,800	21,000	8,500	3,600	4,250	16,350	4,650
	117,400	47,800	71,550	236,750	116,500	46,900	62,950	226,350	10,400
Balance at April 1, 2002 .....									94,200
Balance at March 31, 2003 .....									104,600
Less: Government's holdings—									
Consolidation adjustment <sup>(1)</sup> .....									189
Total .....									104,411

<sup>(1)</sup> Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

## Canada Savings and Canada Premium Bonds

Canada savings and Canada premium bonds are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- issued to Canadian residents;
- issued in Canadian currency only;
- registered in the name of the holder;
- fixed dates of maturity;
- not marketable;
- not subject to call before maturity;

- term to maturity of seven years or more;
- Canada savings bonds are redeemable on demand by the holder, with accrued interest calculated to the end of the previous month (no interest is paid if redeemed during the first 3 months following the date of issue); and,
- Canada premium bonds are redeemable in full or partially on any annual anniversary of the issue date and during the 30 days thereafter by the holder, with accrued interest if applicable.

Table 6.4 presents a summary of the balances and transactions for Canada savings and Canada premium bonds.

**TABLE 6.4**  
**CANADA SAVINGS AND CANADA PREMIUM BONDS**

Maturity date	%	Issue date	Series	April 1/2002	Receipts and other credits	Payments and other charges	March 31/2003	
				\$	\$	\$	\$	
<b>Canada Savings Bonds—</b>								
2002—Nov 1	1.80	1990-1991	S45	1,396,241,132		1,396,241,132		
2003—Nov 1	1.80-2.00	1991-1992	S46	1,988,015,481		370,479,537	1,617,535,944	
2004—Nov 1	1.80-2.00	1992-1993	S47	2,314,913,085		407,212,237	1,907,700,848	
2005—Nov 1	1.80-2.00	1993-1994	S48	1,423,566,633		237,377,770	1,186,188,863	
2006—Nov 1	1.80-2.00	1994-1995	S49	2,012,120,592		381,925,038	1,630,195,554	
2007—Nov 1	1.80-2.00	1995-1996	S50	1,307,537,262		207,934,089	1,099,603,173	
2007—Nov 1	6.00-6.25	1997-1998	S52	2,527,081,415		98,479,619	2,428,601,796	
2007—Dec 1	6.00-6.25	1997-1998	S53	13,798,687		867,071	12,931,616	
2008—Nov 1	6.75-7.00	1996-1997	S51	2,530,665,349		67,527,826	2,463,137,523	
2008—Nov 1	1.80-2.00	1998-1999	S54	907,760,553		132,694,199	775,066,354	
2008—Dec 1	1.55-2.00	1998-1999	S55	67,402,812		8,619,059	58,783,753	
2009—Jan 1	1.35-2.00	1998-1999	S56	12,585,448		1,673,704	10,911,744	
2009—Feb 1	1.35-2.00	1998-1999	S57	8,435,911		1,277,855	7,158,056	
2009—Mar 1	1.30-2.75	1998-1999	S58	14,619,183		2,092,622	12,526,561	
2009—Apr 1	1.30	1999-2000	S59	11,022,905		1,542,304	9,480,601	
2009—Nov 1	1.80-2.00	1999-2000	S60 <sup>(1)</sup>	520,082,851		108,546,900	411,535,951	
2009—Dec 1	1.55-2.00	1999-2000	S61	55,340,360		9,898,306	45,442,054	
2010—Jan 1	1.35-2.00	1999-2000	S62	18,978,073		3,767,158	15,210,915	
2010—Feb 1	1.35-2.00	1999-2000	S63	12,778,076		2,142,395	10,635,681	
2010—Mar 1	1.30-2.75	1999-2000	S64	20,790,527		3,724,442	17,066,085	
2010—Apr 1	1.30	1999-2000	S65	26,590,115		5,262,850	21,327,265	
2010—Nov 1	1.80-2.00	2000-2001	S66 <sup>(1)</sup>	687,351,418		222,877,424	464,473,994	
2010—Dec 1	1.55-2.00	2000-2001	S67	42,703,053		9,402,476	33,300,577	
2011—Jan 1	1.35-2.00	2000-2001	S68	23,759,531		6,573,772	17,185,759	
2011—Feb 1	1.35-2.00	2000-2001	S69	21,341,615		6,011,412	15,330,203	
2011—Mar 1	1.30-2.75	2000-2001	S70	18,969,409		5,536,614	13,432,795	
2011—Apr 1	1.30	2000-2001	S71	11,436,001		2,818,609	8,617,392	
2011—Nov 1	1.80-2.00	2001-2002	S72 <sup>(1)</sup>	846,380,141		96,035,388	750,344,753	
2011—Dec 1	1.55-2.00	2001-2002	S73	41,677,025		10,274,492	31,402,533	
2012—Jan 1	1.35-2.00	2001-2002	S74	10,315,769		2,976,694	7,339,075	
2012—Feb 1	1.35-2.00	2001-2002	S75	10,286,012		3,614,087	6,671,925	
2012—Mar 1	1.30-2.75	2001-2002	S76	25,127,061		151,303	24,975,758	
2012—Apr 1	1.30	2001-2002	S77	73,760	16,221,141		16,294,901	
2012—Nov 1	2.00	2002-2003	S78		843,027,676		843,027,676	
2012—Dec 1	2.00	2002-2003	S79		54,348,743		54,348,743	
2013—Jan 1	2.00	2002-2003	S80		20,245,500		20,245,500	
2013—Feb 1	2.00	2002-2003	S81		16,068,013		16,068,013	
2013—Mar 1	2.00	2002-2003	S82		19,471,310		19,471,310	
2013—Apr 1	2.00	2002-2003	S83		193,782		193,782	
					18,929,747,245	969,576,165	3,815,558,384	16,083,765,026

**TABLE 6.4**CANADA SAVINGS AND CANADA PREMIUM BONDS—*Concluded*

Maturity date	%	Issue date	Series	April 1/2002	Receipts and	Payments and	March 31/2003
					other credits	other charges	
<b>Canada Premium Bonds—</b>							
2007—Mar 1	6.50-6.75	1997-1998	P1	78,505,717		751,383	77,754,334
2008—Mar 1	4.45-4.55	1997-1998	P2	18,324,705		537,423	17,787,282
2008—Nov 1	2.30-2.80	1998-1999	P3	1,288,021,113		97,911,464	1,190,109,649
2008—Dec 1	2.00-2.50	1998-1999	P4	115,342,771		8,143,014	107,199,757
2009—Jan 1	2.00-2.70	1998-1999	P5	23,113,863		1,814,588	21,299,275
2009—Feb 1	2.00-2.70	1998-1999	P6	20,376,527		1,704,953	18,671,574
2009—Mar 1	2.00-3.00	1998-1999	P7	68,867,837		4,819,847	64,047,990
2009—Apr 1	2.00	1999-2000	P8	61,000,020		5,340,929	55,659,091
2009—Nov 1	5.80-2.50	1999-2000	P9	473,372,046		50,136,213	423,235,833
2009—Dec 1	5.80-2.50	1999-2000	P10	135,719,178		12,770,265	122,948,913
2010—Jan 1	5.80-2.50	1999-2000	P11	42,592,575		3,612,416	38,980,159
2010—Feb 1	6.00-2.50	1999-2000	P12	35,637,655		3,623,357	32,014,298
2010—Mar 1	6.25-2.50	1999-2000	P13	81,269,837		10,115,702	71,154,135
2010—Apr 1	6.25	1999-2000	P14	114,705,477		3,344,829	111,360,648
2010—Nov 1	5.70-5.90	2000-2001	P15	697,849,821		18,839,445	679,010,376
2010—Dec 1	5.70-5.90	2000-2001	P16	138,013,015		5,215,648	132,797,367
2011—Jan 1	5.70-5.90	2000-2001	P17	175,670,889		4,156,910	171,513,979
2011—Feb 1	5.50-5.75	2000-2001	P18	423,062,484		9,868,318	413,194,166
2011—Mar 1	4.45-4.55	2000-2001	P19	38,238,142		1,435,271	36,802,871
2011—Apr 1	4.45	2000-2001	P20	59,879,693		3,067,083	56,812,610
2011—Nov 1	2.30-2.80	2001-2002	P21	742,127,094		39,260,511	702,866,583
2011—Dec 1	2.00-2.50	2001-2002	P22	98,872,236		8,042,165	90,830,071
2012—Jan 1	2.00-2.70	2001-2002	P23	27,503,002		2,703,039	24,799,963
2012—Feb 1	2.00-2.70	2001-2002	P24	27,644,167		3,184,810	24,459,357
2012—Mar 1	2.00-3.00	2001-2002	P25	105,872,307		2,883,606	102,988,701
2012—Apr 1	2.00	2001-2002	P26	157,900	52,855,433		53,013,333
2012—Nov 1	2.50	2002-2003	P27		1,202,574,865		1,202,574,865
2012—Dec 1	2.50	2002-2003	P28		241,367,300		241,367,300
2013—Jan 1	2.50	2002-2003	P29		94,539,393		94,539,393
2013—Feb 1	2.50	2002-2003	P30		16,812,157		16,812,157
2013—Feb 1	2.50	2002-2003	P33		33,976,429		33,976,429
2013—Mar 1	2.50	2002-2003	P31		69,121,215		69,121,215
2013—Apr 1	2.50	2002-2003	P32		686,572		686,572
				5,091,740,071	1,711,933,364	303,283,189	6,500,390,246
				24,021,487,316	2,681,509,529	4,118,841,573	22,584,155,272
<b>Less: Government's holdings—</b>							
Canada savings bonds held on account of employees.....				6,206	6,206		
Canada savings bonds held on account of the Payroll Savings Plan .....				55,185,500	55,185,500		
Consolidation adjustment .....				55,191,706	55,191,706		
Total .....				23,966,295,610	2,736,701,235	4,118,841,573	22,584,155,272

(1) Includes bonds related to Government's participation in the Canada savings bonds Payroll Savings Plan.

## Non-Marketable Bonds and Notes

Non-marketable bonds and notes are interest-bearing certificates of indebtedness issued by the Government of Canada exclusively to the Canada Pension Plan (CPP) Investment Fund or to the Canada Health and Social Transfer (CHST) Supplement Trust for Health Care. They have the following characteristics:

- not negotiable;
- not transferable;
- not assignable;
- issued in Canadian currency only;
- term to maturity of 20 years or less for the CPP bonds and 3 years or less for the CHST;
- interest payable semi-annually; and,
- redeemable at face value plus accrued interest.

Table 6.5 presents a summary of the balances and transactions for these non-marketable bonds and notes.

**TABLE 6.5**  
NON-MARKETABLE BONDS AND NOTES

	April 1/2002	Receipts and other credits	Payments and other charges	March 31/2003
	\$	\$	\$	\$
<b>Canada Pension Plan Investment Fund—</b>				
Matured 2002-2003 .....	17,414,000		17,414,000	
Maturing 2003-2004 .....	17,259,000			17,259,000
2004-2005 .....	16,661,000			16,661,000
2005-2006 .....	239,955,000			239,955,000
2006-2007 .....	1,352,282,000			1,352,282,000
2007-2008 .....	699,981,000			699,981,000
2008-2009 .....	519,360,000			519,360,000
2009-2010 .....	71,112,000			71,112,000
2010-2011 .....	425,010,000			425,010,000
2011-2012 .....	15,763,000			15,763,000
2012-2013 .....	11,118,000			11,118,000
	3,385,915,000		17,414,000	3,368,501,000
<b>Canada Health and Social Transfer Supplement Trust for Health Care—</b>				
Maturing 2003-2004 .....	4,643,329		2,362,636	2,280,693
Total .....	3,390,558,329		19,776,636	3,370,781,693

## Canada Bills

Canada bills are short-term certificates of indebtedness issued by the Government of Canada in the United States money market under the Government's foreign currency borrowing program. Canada bills provide Canada with an additional source of short-term US funds and have the following characteristics:

- issued at a discount in lieu of interest payments;
- term to maturity of not more than 270 days;
- transferable; and,
- bought and sold on the open market.

The year-end balance of Canada bills payable in US dollars was translated into Canadian dollars using the closing rate of exchange at March 31, 2003.

Table 6.6 presents a monthly summary of Canada bill issues and redemptions.

**TABLE 6.6**  
**CANADA BILLS**

	Issues	Redemptions	Net change
	\$	\$	\$
April, 2002 .....	1,568,804,118	1,551,720,947	17,083,171
May .....	1,509,434,320	1,720,405,029	(210,970,709)
June .....	1,381,623,077	1,436,917,753	(55,294,676)
July .....	1,510,794,102	1,654,395,999	(143,601,897)
August .....	1,427,115,098	1,422,038,745	5,076,353
September .....	1,383,842,904	1,446,918,085	(63,075,181)
October .....	2,067,758,598	1,161,382,811	906,375,787
November .....	865,035,304	2,006,851,361	(1,141,816,057)
December .....	1,059,294,198	1,046,222,920	13,071,278
January, 2003 .....	1,550,941,622	1,643,353,997	(92,412,375)
February .....	1,127,618,321	1,126,919,105	699,216
March .....	1,159,965,873	1,079,541,683	80,424,190
Balance at April 1, 2002 .....	16,612,227,535	17,296,668,435	(684,440,900) 3,355,445,059
Balance before revaluation .....			2,671,004,159
Exchange valuation adjustment at March 31, 2003 .....			(68,119,192)
Balance at March 31, 2003 .....			2,602,884,967

## Canada Notes

Canada notes are issued by the Government of Canada under the Government's foreign currency borrowing program. Canada notes provide Canada with an additional source of medium-term foreign funds.

The year-end balances of Canada notes were translated into Canadian dollars using the closing rate of exchange of the appropriate currency at March 31, 2003.

Table 6.7 presents a summary of the balances and transactions for Canada notes.

**TABLE 6.7**  
**CANADA NOTES**

Maturity date	%	Issue date	Note #	April 1/2002	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2003
Payable in foreign currencies— Maturing 2005-2006 2006—Mar 20	0.70	Mar 22/2001	066	600,900,000	21,200,000		622,100,000
Maturing 2008-2009 2009—Mar 23	1.90	Mar 23/99	065	600,900,000	21,200,000		622,100,000
Total .....				1,201,800,000	42,400,000		1,244,200,000

<sup>(1)</sup> This column includes the translation of Canada notes payable in foreign currencies to Canadian dollars using the closing rates of exchange at March 31.

## Euro Medium-Term Notes

Euro medium-term notes are issued by the Government of Canada in the Euromarkets under the Government's foreign currency borrowing program, and thus provide Canada with an additional source of medium-term foreign funds.

The year-end balances of Euro medium-term notes were translated into Canadian dollars using the closing rate of exchange of the appropriate currency at March 31, 2003.

Table 6.8 presents a summary of the balances and transactions for the Euro medium-term notes.

**TABLE 6.8**  
EURO MEDIUM -TERM NOTES

Maturity date	%	Issue date	April 1/2002	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2003
			\$	\$	\$	\$
Payable in foreign currencies—						
Maturing 2003-2004						
2003—July 16	(2)	Jul 16/98	103,623,000		8,216,000	95,407,000
Maturing 2004-2005						
2004—Nov 26	(2)	Mar 26/98	789,129,000		62,568,000	726,561,000
Nov 26	(2)	Oct 30/98	542,984,520		43,051,840	499,932,680
Nov 30	(2)	Mar 22/99	140,168,441		11,113,594	129,054,847
Dec 22	(2)	Dec 22/97	121,509,924		9,634,208	111,875,716
			1,593,791,885		126,367,642	1,467,424,243
Maturing 2007-2008						
2007—Nov 19	(2)	Nov 19/97	47,826,000		3,792,000	44,034,000
2008—Jan 31	(2)	Jul 30/97	69,951,902		5,546,306	64,405,596
			117,777,902		9,338,306	108,439,596
Maturing 2009-2010						
2009—Apr 28	4.50	Mar 30/99-Apr 28/99	1,387,900,000	215,800,000		1,603,700,000
Total .....			3,203,092,787	215,800,000	143,921,948	3,274,970,839

<sup>(1)</sup> This column includes the translation of Euro notes payable in foreign currencies to Canadian dollars using closing rates of exchange at March 31.

<sup>(2)</sup> The rate of interest is variable throughout the year.

## Interest Rates

Table 6.9 sets out unmatured debt as at March 31, for each of the years 1998-99 to 2002-2003 inclusive, with the average rate of interest thereon. For purposes of comparison, unmatured debt is classified as marketable bonds, Treasury bills, Canada savings and Canada premium bonds, non-mar-

ketable bonds and notes (including the bonds for the Canada Pension Plan and the notes for the Canada Health and Social Transfer Supplement), Canada bills and Foreign currency notes.

**TABLE 6.9**

UNMATURED DEBT AS AT MARCH 31, FROM 1999 TO 2003, WITH THE AVERAGE RATE OF INTEREST THEREON

	Canada						Non-						Foreign			Total	
	Marketable		Treasury		savings and		marketable		Canada bills		currency		unmatured		debt		
	Amount	Average															
	out-standing	interest															
	\$ (millions)	%															
2003 .....	302,264	6.26	104,411	3.04	22,584	3.43	3,371	10.14	2,603	1.12	4,519	2.36	439,752	5.32			
2002 .....	313,115	6.61	94,039	2.64	23,966	3.23	3,391	10.16	3,355	1.75	4,405	2.46	442,271	5.56			
2001 .....	315,631	6.98	88,700	5.31	26,099	5.42	3,473	10.10	7,228	5.10	5,272	4.15	446,403	6.11			
2000 .....	315,339	7.21	99,850	5.31	26,489	5.13	3,552	10.04	6,008	5.87	5,168	4.95	456,406	6.15			
1999 .....	315,399	7.51	96,950	4.94	27,662	4.28	4,063	9.39	10,171	4.81	6,182	4.70	460,427	6.70			

Note: The interest rate in effect at March 31 is used where various rates of interest are applicable.

Table 6.10 shows the average high and low yields of Treasury bills, at tender, together with the average yield on the latest issues for the years 1998-99 to 2002-2003 inclusively.

**TABLE 6.10**

TREASURY BILLS AVERAGE YIELDS AT TENDER

Year ended March 31	High	Low	Last issue
	%	%	%
<b>Three-month bills—</b>			
2003 .....	3.14	2.38	3.14
2002 .....	4.49	1.90	2.34
2001 .....	5.75	4.60	4.60
2000 .....	5.28	4.30	5.28
1999 .....	5.64	4.55	4.89
<b>Six-month bills—</b>			
2003 .....	3.37	2.67	3.37
2002 .....	4.52	1.96	2.73
2001 .....	6.01	4.58	4.58
2000 .....	5.56	4.43	5.56
1999 .....	5.81	4.70	4.98
<b>Other bills—</b>			
2003 .....	3.66	2.27	3.66
2002 .....	4.63	2.15	3.48
2001 .....	6.33	4.58	4.58
2000 .....	5.98	4.56	5.94
1999 .....	5.83	4.62	4.97

## Maturity of Government Debt

Table 6.11 presents total unmatured debt arranged in order of maturity.

**TABLE 6.11**

### MATURITY OF GOVERNMENT DEBT

	Marketable bonds		Treasury bills		Canada savings and Canada premium bonds		Non-marketable bonds and notes		Canada bills		Foreign currency notes		Total unmatured debt	
	Average interest rate		Average interest rate		Average interest rate		Average interest rate		Average interest rate		Average interest rate		Average interest rate	
	Amount	\$(millions)	Amount	\$(millions)	Amount	\$(millions)	Amount	\$(millions)	Amount	\$(millions)	Amount	\$(million)	%	%
2004 .....	31,868	6.46	104,600	3.04	1,618	2.00	20	10.61	2,603	1.12	95	0.87	140,804	3.77
2005 .....	43,724	5.94			1,908	2.00	17	13.37			1,467	1.12	47,116	5.63
2006 .....	28,411	6.31			1,186	2.00	240	11.30			622	0.70	30,459	6.07
2007 .....	19,484	6.69			1,708	2.22	1,352	9.60					22,544	6.52
2008 .....	20,784	6.04			3,559	4.93	700	10.01			109	1.03	25,152	5.97
2009/2013 .....	77,202	5.91			12,605	3.70	1,042	10.62			2,226	3.77	93,075	5.61
2014/2018 ...	9,458	7.20											9,458	7.20
2019/2023 ...	10,826	6.54											10,826	6.54
2024/2028 ...	32,283	7.55											32,283	7.55
2029/2033 ...	20,449	5.19											20,449	5.19
2034 .....	9,200	5.75											9,200	5.75
	303,689	6.25	104,600	3.04	22,584	3.43	3,371	10.14	2,603	1.12	4,519	2.36	441,366	5.31
Less: Government's holdings .....	1,425	8.66	189	3.04									1,614	8.00
	302,264	6.26	104,411	3.04	22,584	3.43	3,371	10.14	2,603	1.12	4,519	2.36	439,752	5.32

Note: This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.12.

## Statement of all Borrowing Transactions on behalf of Her Majesty

Table 6.12 presents the information required by section 49 of the *Financial Administration Act*. The borrowing transactions included in this table are: borrowings by the Government for general purposes, and borrowings by agent enterprise

Crown corporations. Borrowings by non-agent enterprise Crown corporations and other government business enterprises are not included because such borrowings are not on behalf of Her Majesty.

**TABLE 6.12**

### STATEMENT OF ALL BORROWING TRANSACTIONS ON BEHALF OF HER MAJESTY

(in millions of dollars)

	April 1/2002	Issues/ Borrowings	Retirements	March 31/2003
Unmatured debt of the Government of Canada <sup>(1)</sup> .....	442,271	326,442	328,961	439,752
Borrowings of enterprise Crown corporations designated as agents of Her Majesty <sup>(2)</sup> .....	45,175	93,257	92,090	46,342
Total .....	487,446	419,699	421,051	486,094

<sup>(1)</sup> Details can be found in this section.

<sup>(2)</sup> Details can be found in Section 9 (Table 9.6) of this volume.

## PENSION AND OTHER LIABILITIES

Pension and other accounts are specified purpose accounts which represent the recorded value of the financial obligations of the Government in its role as administrator of certain public moneys received or collected for specified purposes, under or pursuant to legislation, trusts, treaties, undertakings or contracts. These public moneys may be paid out only for the purposes specified in or pursuant to legislation, trusts, treaties, undertakings or contracts.

Because of the dedicated purposes of these moneys, specific accounts are required to be maintained to provide an accounting mechanism to ensure that the moneys are used only for the purposes for which they were received or collected. Legislation relating to some accounts permits investments to be made and, in certain cases, the balances of the accounts earn interest.

### Public Sector Pensions

The liability for public sector pensions represents the Government's obligations for its major pension plans. Allowance accounts are used to record: the accumulated amortization of any shortfall or excess between the liability for public sector pensions determined on an actuarial basis for accounting purposes, and the balances of the superannuation accounts, the accumulated differential between interest credited to the superannuation accounts and interest based on the actuarial obligations, and any other accounting adjustment required under the Government accounting policies.

The Government sponsors defined benefit pension plans for substantially all its employees, principally members of the Public Service, the Canadian Forces and the Royal Canadian Mounted Police. It also has obligations for several other pension plans; the two most significant ones being for Members of Parliament and federally appointed judges.

The legislation provides that all pension obligations arising from these plans be met but, until March 31, 2000, separate market invested funds were not maintained. Since April 1, 2000, the net amount of contributions less benefits and payments related to the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans have been transferred to the Public Sector Pension Investment Board. The goal of the Board is to achieve maximum rates of return on investments without undue risk, while respecting the requirements and financial obligations of each of the public sector pension plans.

#### i. Pension plans

##### *Employee pension plans*

Basic pensions for the three major employees plans are generally based on the best five consecutive years' average earnings and accrue at 2 percent of these average earnings per year of service, to a maximum of 70 percent of final average earnings. Benefits are integrated with benefits under the Canada/Quebec pension plans. Basic pensions are indexed annually (on January 1) to the cost of living.

Effective January 1, 2000, plan members contribute 4 percent on salary up to the Yearly Maximum Pensionable Earnings (YMPE) for the Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) purposes and 7.5 percent on that portion of salary above the YMPE. This rate is applicable until 2004 when it comes up for review.

Employer contributions are made monthly to provide for the cost (net of employee contributions) of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. In 2002-2003, the employer contribution rates averaged about 2.6, 3.5 and 3.0 times the current year's employee contribution for the plans of the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*, respectively.

Since April 1, 2000, new contributions made to these three pension plans both by plan members and by the Government as the employer have been credited to newly created Pension Funds. The net amount of these contributions less benefits and payments related to post March 2000 service is invested in capital markets by the Public Sector Pension Investment Board (PSPIB). The PSPIB operates independently of the Government and plan members. It is required to report the results of its investments in an annual report to Parliament and to the ministers responsible for those three pension plans.

The superannuation accounts, which continue to record the transactions that pertain to pre-April 2000 service, earn interest at rates that are based on the Government of Canada long-term bond rate. The interest rate earned by the accounts was about 8.5 percent in 2003 and 8.7 percent in 2002. The Pension Fund accounts, which record the transactions that pertain to post March 2000 service, are only flow through accounts used to transfer funds to the PSPIB, and as such they do not earn interest. The balance in these accounts at year-end corresponds to money that was in transit or impending transfer to the PSPIB.

In 2000-2001, Canada Post Corporation and three other corporations implemented their own pension plans and their employees ceased to be members of the Public Service pension plan. An amount of approximately \$2,100 million (\$4,500 million in 2002) was transferred to the pension plans of these corporations during the year.

To reflect the *Income Tax Act* restrictions on the benefits payable from registered pension plans, pension legislation contains a number of provisions to allow various federal service superannuation plans to adapt to the tax restrictions. These include Retirement Compensation Arrangements Accounts established under the *Special Retirement Arrangements Act* (SRAA), to record transactions for those pension benefits above the limits, or not permitted under the *Income Tax Act*.

*Members of Parliament retiring allowances*

Members of Parliament are eligible at age 55 to receive a basic pension upon termination of membership and after having contributed to the plan for at least six years. The basic allowance is based on the best five year average sessional indemnity and is accrued at a rate of 3 percent of those average indemnities for both Members of the House of Commons and for Senators. Basic allowances are indexed annually (on January 1st) to the cost of living once recipients reach age 60.

Members' contributions for these benefits are now 7 percent for Members of the House of Commons and for Senators. The Government contributions are made monthly to provide for the cost (net of Members' contributions) of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. The Government contributions expressed as a multiple of Members' contributions, are as follows:

	2003	2002
<b>Members of Parliament</b>		
House of Commons		
Retiring allowances account .....	3.88	3.74
Retirement compensation arrangements .....	6.99	6.95
The Senate		
Retiring allowances account .....	2.63	2.44
Retirement compensation arrangements .....	3.87	3.59

Contributions are credited to the appropriate pension accounts. The accounts earn interest at a rate of 2.5 percent per quarter.

*Pension plan for federally appointed judges*

This plan provides fully-indexed annuities to judges and to all eligible survivors providing they meet minimum age and service requirements. Unlike other pension plans, the judges' plan lacks an explicit accrual rate for benefits. Instead, the full benefit amount is generally payable when the member has completed 15 years of pensionable service and the total of the member's age and years of service totals 80.

Judges appointed to the bench before February 17, 1975 make required contributions of 1.5 percent of salary. All other judges make contributions of 7 percent of salary. No specified purpose account is maintained for this plan. Benefits are included as an expenditure in the Statement of Revenues and Expenditures. During the year, the benefit payments charged to expenditures amounted to \$64 million.

*ii. Actuarial valuations*

As required under the *Public Pensions Reporting Act*, actuarial valuations are performed triennially on the six major pension plans using the projected benefit method pro-rated on services.

The most recent review date for the actuarial valuation of each pension plan is as follows:

Public Service—March 31, 2002;

Canadian Forces—March 31, 2000;

Royal Canadian Mounted Police—March 31, 2002;

Members of Parliament—March 31, 2001;

Retirement Compensation Arrangements: December 31, 1998;

Federally appointed judges—March 31, 2001.

As at March 31, 2002, the actuarial valuation reports for the Public Service plan and the Royal Canadian Mounted Police plan were not yet tabled before Parliament.

In accordance with the legislation governing the major pension plans, the President of the Treasury Board has the authority to direct that any actuarial deficiency found will be credited to the appropriate account in equal installments over a period not exceeding fifteen years commencing in the year in which the actuarial report is laid before Parliament. During the year, credit adjustments of \$10 million, \$92 million and \$5 million were made to the Members of Parliament Retirement Compensation Arrangement Account and the Retirement Compensation Arrangements Accounts No. 1 and No. 2 respectively as a result of their most recent actuarial review.

A comparable provision gives authority to deal with surpluses in the superannuation accounts by debiting the appropriate account over a period of up to fifteen years. Any future surpluses identified in the Pension Funds may be dealt with by a reduction of Government and/or plan member contributions, or by withdrawing amounts from the Fund. As a result of the last triennial actuarial reviews, debit adjustments of nil, \$198 million, and nil (nil, \$14,772 million and \$115 million in 2002) were made respectively to the Public Service, the Canadian Forces and the Royal Canadian Mounted Police Superannuation Accounts during the year.

Table 6.13 presents a summary of the balances and transactions for the liability for public sector pensions. Receipts and other credits for the pension accounts consist of contributions from employees, related contributions from the Government and participating Public Service corporations, transfers from other pension funds, other contributions related to actuarial liability adjustments, refunds of refundable tax and interest. Payments and other charges for the pension accounts consist of annuity payments for pensions, minimum benefits, cash termination allowances (lump sum payments to employees suffering a disability), refunds of contributions, pension division pay-

ments, transfer value payments, transfers to other plans, remittances of refundable tax, payment of administrative expenses, debits resulting from triennial actuarial reviews, and transfers to the Public Sector Pension Investment Board. Adjustments to the allowance account result from annual actuarial valuations performed for accounting purposes, from the annual adjustment between the interest based on the actuarial obligations and interest credited to the pension accounts, and from any other accounting adjustment required under the Government accounting policies.

TABLE 6.13

## PUBLIC SECTOR PENSIONS

	April 1/2002	Receipts and other credits	Payments and other charges	March 31/2003
	\$	\$	\$	\$
<b>Public Service Superannuation Account,</b>				
Table 6.15 .....	80,550,373,546	6,753,774,719	5,446,278,395	81,857,869,870
Allowance for pension adjustments .....	(5,259,000,000)		2,445,000,000	(7,704,000,000)
	75,291,373,546	6,753,774,719	7,891,278,395	74,153,869,870
<b>Public Service Pension Fund Account,</b>				
Table 6.16 .....	67,428,155	2,614,629,986	2,564,258,203	117,799,938
Allowance for pension adjustments .....	(49,000,000)	21,000,000	263,000,000	(291,000,000)
	18,428,155	2,635,629,986	2,827,258,203	(173,200,062)
<b>Canadian Forces Superannuation Account,</b>				
Table 6.17 .....	38,626,648,464	3,233,558,678	2,159,910,794	39,700,296,348
Allowance for pension adjustments .....	(491,000,000)	198,000,000	1,405,000,000	(1,698,000,000)
	38,135,648,464	3,431,558,678	3,564,910,794	38,002,296,348
<b>Canadian Forces Pension Fund Account,</b>				
Table 6.18 .....	35,335,370	709,045,132	700,724,555	43,655,947
Allowance for pension adjustments .....	30,000,000	16,000,000	3,000,000	43,000,000
	65,335,370	725,045,132	703,724,555	86,655,947
<b>Royal Canadian Mounted Police Superannuation Account,</b>				
Table 6.19 .....	9,884,641,946	832,778,584	344,672,716	10,372,747,814
Allowance for pension adjustments .....	(320,000,000)	7,000,000	312,000,000	(625,000,000)
	9,564,641,946	839,778,584	656,672,716	9,747,747,814
<b>Royal Canadian Mounted Police Pension Fund Account,</b>				
Table 6.20 .....	10,275,746	254,881,004	254,441,264	10,715,486
Allowance for pension adjustments .....	(13,000,000)	10,000,000	32,000,000	(35,000,000)
	(2,724,254)	264,881,004	286,441,264	(24,284,514)
<b>Members of Parliament Retiring Allowances Account,</b>				
Table 6.21 .....	345,001,463	40,957,388	17,470,242	368,488,609
Allowance for pension adjustments .....	(52,000,000)	1,000,000	11,000,000	(62,000,000)
	293,001,463	41,957,388	28,470,242	306,488,609
<b>Members of Parliament Retirement Compensation Arrangements Account, Table 6.22</b>				
Allowance for pension adjustments .....	64,640,804	35,452,405	12,840,684	87,252,525
	69,000,000	17,000,000	10,000,000	76,000,000
	133,640,804	52,452,405	22,840,684	163,252,525
<b>Retirement Compensation Arrangements (RCA)</b>				
Account, Table 6.23 .....	1,188,536,176	446,786,217	378,376,346	1,256,946,047
Allowance for pension adjustments .....	1,133,000,000	116,000,000	264,000,000	985,000,000
	2,321,536,176	562,786,217	642,376,346	2,241,946,047
<b>Supplementary Retirement Benefits Account,</b>				
Table 6.24 .....	82,763,152	7,489,321	119,337	90,133,136
Allowance for pension adjustments .....	1,017,000,000	101,000,000	5,000,000	1,113,000,000
	1,099,763,152	108,489,321	5,119,337	1,203,133,136
Total .....	126,920,644,822	15,416,353,434	16,629,092,536	125,707,905,720
<b>SUMMARY—</b>				
Superannuation accounts .....	130,855,644,822	14,929,353,434	11,879,092,536	133,905,905,720
Allowance for pension adjustments .....	(3,935,000,000)	487,000,000	4,750,000,000	(8,198,000,000)
Total .....	126,920,644,822	15,416,353,434	16,629,092,536	125,707,905,720

Table 6.14 presents a summary of transactions in public sector pensions that resulted in charges to expenditures. Interest is based on the actuarial obligations under the various plans. The pension interest expenditure represents the interest credited to the superannuation accounts in accordance with the pension legislation, shown net of a provision of \$1,215 million (\$2,541 million in 2002) and net of \$472 million (\$279 million in 2002) in expected return on pension plan assets.

**TABLE 6.14**  
**SUMMARY OF TRANSACTIONS IN PUBLIC SECTOR PENSIONS THAT RESULTED IN CHARGES TO EXPENDITURES**  
(in millions of dollars)

	2002-2003										
	Government contributions	Statutory payments <sup>(1)</sup>	Adjustment to record the current service costs	Net current service costs	Funding of actuarial liability adjustment	Pension Plan amendment costs	Amortization of estimation adjustments	Net pension expenses	Net pension interest expenses	Total	2001-2002
Public Service Superannuation Account .....	46		(108)	(62)			(1,165)	(1,227)	5,463	4,236	4,517
Public Service Pension Fund Account .....	1,745		(263)	1,482			14	1,496	8	1,504	1,426
Canadian Forces Superannuation Account .....	4		(9)	(5)			(939)	(944)	2,764	1,820	1,626
Canadian Forces Pension Fund Account .....	551		(3)	548			7	555	9	564	537
Defence Services Pension Continuation Act .....		12		12				12		12	13
Royal Canadian Mounted Police Superannuation Account .....	2		(3)	(1)		7	(170)	(164)	690	526	520
Royal Canadian Mounted Police Pension Fund Account .....	191		(24)	167		10	(8)	169		169	165
Royal Canadian Mounted Police Continuation Act .....		6		6				6		6	7
Members of Parliament Retiring Allowances Account .....	4			4			1	5	24	29	28
Members of Parliament Retirement Compensation Arrangements Account .....	16			16			6	22	7	29	29
Retirement Compensation Arrangements (RCA) Account .....	215		(154)	61	107		35	203	100	303	312
Supplementary Retirement Benefits Account .....	2		(5)	(3)			28	25	77	102	120
Judges Act .....		64		64				64		64	59
Other (diplomatic services, lieutenant governors, etc.) .....		1		1				1		1	1
<b>Subtotal .....</b>	<b>2,776</b>	<b>83</b>	<b>(569)</b>	<b>2,290</b>	<b>107</b>	<b>17</b>	<b>(2,191)</b>	<b>223</b>	<b>9,142</b>	<b>9,365</b>	<b>9,360</b>
Less: costs already recorded in the allowance for pension adjustments of previous years .....					(107)			(107)		(107)	(99)
<b>Total .....</b>	<b>2,776</b>	<b>83</b>	<b>(569)</b>	<b>2,290</b>		<b>17</b>	<b>(2,191)</b>	<b>116</b>	<b>9,142</b>	<b>9,258</b>	<b>9,261</b>

<sup>(1)</sup> Includes payments under *Supplementary Retirement Benefits Act* and various acts.

**Public Service Superannuation Account**

This account is operated under the *Public Service Superannuation Act*.

No adjustment was required to the account in either 2002-2003 or 2001-2002 as a result of the most recent triennial actuarial review.

**TABLE 6.15****PUBLIC SERVICE SUPERANNUATION ACCOUNT**

	2002-2003	2001-2002
	\$	\$
Opening balance.....	80,550,373,546	81,574,680,376
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions—		
Government employees .....	17,632,790	21,416,935
Retired employees .....	41,077,615	43,513,583
Public Service corporation employees .....	1,595,739	1,645,455
Employer contributions—		
Government .....	45,920,524	51,145,083
Public Service corporations .....	1,699,657	1,056,601
Transfers from other pension funds....	10,245,615	30,199,675
Interest.....	6,635,602,779	6,887,142,785
	6,753,774,719	7,036,120,117
	87,304,148,265	88,610,800,493
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annuities .....	3,468,623,384	3,433,214,119
Minimum benefits .....	10,355,592	12,258,850
Pension division payments .....	27,984,681	38,377,896
Pension—Transfer value payments .....	77,445,358	139,493,717
Returns of contributions—		
Government employees .....	1,535,697	2,132,695
Public Service corporation employees .....	194,387	701,138
Transfers to other pension funds .....	75,253,877	205,715,794
Transfers to Canada Post Corporation pension plan .....	1,736,683,000	4,181,784,000
Administrative expenses .....	48,202,419	46,748,738
	5,446,278,395	8,060,426,947
Closing balance.....	81,857,869,870	80,550,373,546

**Public Service Pension Fund Account**

This account is used to record the transactions that pertain to post March 2000 service under the *Public Service Superannuation Act*. The account is a flow through account used to transfer funds to and from the PSPIB. The balance at year-end corresponds to money that was in transit or impending transfer to the PSPIB.

No adjustment was required to the Fund as a result of triennial actuarial reviews in either 2002-2003 or 2001-2002.

**TABLE 6.16****PUBLIC SERVICE PENSION FUND ACCOUNT**

	2002-2003	2001-2002
	\$	\$
Opening balance.....	67,428,155	96,391,625
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions—		
Government employees .....	674,395,559	577,865,100
Retired employees .....	4,653,947	2,985,847
Public Service corporation employees .....	59,408,249	51,959,786
Employer contributions—		
Government .....	1,745,268,882	1,499,118,490
Public Service corporations .....	123,103,837	109,148,635
Transfers from other pension funds....	7,799,512	1,967,666
	2,614,629,986	2,243,045,524
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annuities .....	14,666,690	5,275,333
Minimum benefits .....	736,676	333,339
Pension division payments .....	175,744	142,459
Pension—Transfer value payments .....	15,838,553	10,116,112
Returns of contributions—		
Government employees .....	6,551,456	5,128,183
Public Service corporation employees .....	1,739,022	1,196,629
Transfers to other pension funds .....	713,258	1,506,759
Transfers to Canada Post Corporation pension plan .....	77,976,000	160,000,000
Administrative expenses .....	2,989,615	1,978,318
	121,387,014	185,677,132
Receipts and other credits less payments and other charges .....	2,493,242,972	2,057,368,392
Transfers to Pension Investment Board .....	2,442,871,189	2,086,331,862
Closing balance .....	117,799,938	67,428,155

## Canadian Forces Superannuation Account

This account is operated under the *Canadian Forces Superannuation Act*.

A debit adjustment of \$198 million (\$14,772 million in 2002) was made to the account during the year as a result of the most recent triennial actuarial review.

**TABLE 6.17**

### CANADIAN FORCES SUPERANNUATION ACCOUNT

	2002-2003	2001-2002
	\$	\$
Opening balance.....	38,626,648,464	50,882,401,017
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions from personnel.....	4,494,611	8,188,200
Contributions by the Government .....	4,340,121	16,560,645
Interest.....	3,220,312,432	4,387,043,123
Other.....	4,411,514	4,607,664
	3,233,558,678	4,416,399,632
	41,860,207,142	55,298,800,649
<b>PAYMENTS AND OTHER CHARGES—</b>		
Pensions and retiring allowance		
payments .....	1,911,282,599	1,844,315,997
Pension division payments .....	34,365,354	36,228,961
Cash termination allowances and		
returns of contributions.....	7,617,812	12,140,738
Transfers to Public Service		
Superannuation Account .....	672,076	416,016
Administrative expenses .....	7,972,953	7,250,473
Actuarial liability		
adjustment.....	198,000,000	14,771,800,000
	2,159,910,794	16,672,152,185
Closing balance .....	39,700,296,348	38,626,648,464

## Canadian Forces Pension Fund Account

This account is used to record the transactions that pertain to post March 2000 service under the *Canadian Forces Superannuation Act*. The account is a flow through account used to transfer funds to and from the PSPIB. The balance at year-end corresponds to money that was in transit or impending transfer to the PSPIB.

No adjustment was required to the Fund as a result of triennial actuarial reviews in either 2002-2003 or 2001-2002.

**TABLE 6.18**

### CANADIAN FORCES PENSION FUND ACCOUNT

	2002-2003	2001-2002
	\$	\$
Opening balance.....	35,335,370	56,601,545
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions from personnel.....	157,217,546	145,935,063
Contributions by the Government .....	551,827,586	512,233,425
	709,045,132	658,168,488
<b>PAYMENTS AND OTHER CHARGES—</b>		
Pensions and retiring allowance		
payments .....	7,504,487	2,646,355
Pension division payments .....	427,348	91,212
Cash termination allowances and		
returns of contributions .....	4,403,615	2,473,993
Transfers to Public Service		
Superannuation Account .....	40,753	1,323
Administrative expenses .....	375,689	209,701
	12,751,892	5,422,584
Receipts and other credits		
less payments and other		
charges.....	696,293,240	652,745,904
Transfers to Pension Investment		
Board .....	687,972,663	674,012,079
Closing balance .....	43,655,947	35,335,370

## Royal Canadian Mounted Police Superannuation Account

This account is operated under the *Royal Canadian Mounted Police Superannuation Act*.

No adjustment was required to the account in 2002-2003 (debit of \$115 million in 2002) as a result of the most recent triennial actuarial review.

**TABLE 6.19**

### ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT

	2002-2003	2001-2002
	\$	\$
Opening balance.....	9,884,641,946	9,489,323,066
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions from personnel (current and arrears).....	1,535,437	2,157,420
Contributions by the Government .....	1,755,523	3,371,609
Transfers from other pension funds .....	274,765	661,979
Interest .....	829,212,859	819,920,402
	832,778,584	826,111,410
	10,717,420,530	10,315,434,476
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annuities and allowance payments ....	320,700,779	296,993,446
Pension division payments .....	9,224,037	8,058,144
Returns of contributions .....	475,102	1,149,940
Cash termination allowance and gratuities .....	476,298	77,175
Transfers to other pension funds .....	294,609	95,772
Interest on returns of contributions .....	136,457	260,311
Administrative expenses .....	13,365,434	9,357,742
Actuarial liability adjustment .....		114,800,000
	344,672,716	430,792,530
Closing balance .....	10,372,747,814	9,884,641,946

## Royal Canadian Mounted Police Pension Fund Account

This account is used to record the transactions that pertain to post March 2000 service under the *Royal Canadian Mounted Police Superannuation Act*. The account is a flow through account used to transfer funds to and from the PSPIB. The balance at year-end corresponds to money that was in transit or impending transfer to the PSPIB.

No adjustment was required to the Fund as a result of triennial actuarial reviews in either 2002-2003 or 2001-2002.

**TABLE 6.20**

### ROYAL CANADIAN MOUNTED POLICE PENSION FUND ACCOUNT

	2002-2003	2001-2002
	\$	\$
Opening balance.....	10,275,746	8,517,057
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions from personnel (current and arrears).....	64,062,478	60,136,391
Contributions by the Government .....	190,505,852	178,905,873
Transfers from other pension funds .....	312,674	
	254,881,004	239,042,264
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annuities and allowance payments ....	1,976,723	686,248
Minimum benefits .....	36,525	7,874
Pension division payments .....	160,103	20,047
Returns of contributions .....	219,628	207,381
Cash termination allowance and gratuities .....	38,805	2,215
Transfers to other pension funds .....		1,459
Interest on returns of contributions .....	3,148	984
Administrative expenses .....	777,882	339,400
	3,212,814	1,265,608
Receipts and other credits less payments and other charges .....	251,668,190	237,776,656
Transfers to Pension Investment Board .....	251,228,450	236,017,967
Closing balance .....	10,715,486	10,275,746

## Members of Parliament Retiring Allowances Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide pension benefits to eligible Members of Parliament who contributed to the plan. "Member" means a Member of the Senate or the House of Commons. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members who served on or after a certain date and contributed under the Act.

**TABLE 6.21**

### MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

	2002-2003	2001-2002
	\$	\$
Opening balance.....	345,001,463	322,708,427
<b>RECEIPTS AND OTHER CREDITS—</b>		
Members' contributions—		
Current.....	1,307,483	1,297,778
Arrears of principal, interest and mortality insurance .....	32,627	69,024
Government contributions—		
Current.....	4,395,891	3,847,838
Interest.....	35,221,387	33,226,180
	40,957,388	38,440,820
	385,958,851	361,149,247
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annual allowances.....	16,623,728	15,993,470
Withdrawal allowances .....		4,489
Interest on withdrawals .....	70,579	30
Pension division payments .....	775,935	149,795
	17,470,242	16,147,784
Closing balance .....	368,488,609	345,001,463

## Members of Parliament Retirement Compensation Arrangements Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide for benefits in respect of pension credits accrued by Members of Parliament which are not payable out of the Members of Parliament Retiring Allowances Account. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members.

During the year, a credit adjustment of \$10 million (nil in 2002) was made to the account as a result of the most recent actuarial review.

**TABLE 6.22**

### MEMBERS OF PARLIAMENT RETIREMENT COMPENSATION ARRANGEMENTS ACCOUNT

	2002-2003	2001-2002
	\$	\$
Opening balance.....	64,640,804	52,393,494
<b>RECEIPTS AND OTHER CREDITS—</b>		
Members' contributions—		
Current.....	2,571,907	2,448,630
Government contributions—		
Current.....	15,859,000	15,269,084
Interest.....	7,248,223	6,396,263
Actuarial liability adjustment.....	9,773,275	
	35,452,405	24,113,977
	100,093,209	76,507,471
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annual allowances .....	1,445,396	1,368,096
Refundable tax remitted to Canada		
Customs and Revenue Agency .....	10,982,904	10,049,942
Withdrawals.....	36,235	46,142
Pension division payments .....	376,149	402,487
	12,840,684	11,866,667
Closing balance .....	87,252,525	64,640,804

## Retirement Compensation Arrangements (RCA) Account

The RCA was established by the *Special Retirement Arrangements Act* (SRAA) to provide pension benefits for federal employees under retirement compensation arrangements.

The RCA No.1 pays those pension benefits above the amount that may, in accordance with the *Income Tax Act* restrictions on registered pension plans, be paid under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*. The RCA No.1 was created effective December 15, 1994.

The RCA No.2 pays benefits to Public Service employees who were declared surplus as part of a 3 year Government downsizing initiative ended on March 31, 1998 and who were between age 50 and 54. It pays the difference between a pension unreduced for early retirement and the reduced pension payable from the Public Service Superannuation Account. It is funded entirely by the Government. The RCA No.2 was created effective April 1, 1995.

During the year, credit adjustments of \$92 million (\$94 million in 2002) and \$5 million (\$5 million in 2002) were made to the RCA No.1 and No.2 respectively as a result of the most recent actuarial review.

TABLE 6.23

## RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

	RCA No.1						RCA No.2				
	Public Service		Canadian Forces		Royal Canadian Mounted Police		Public Service		Total		
	2002-2003	2001-2002	2002-2003	2001-2002	2002-2003	2001-2002	2002-2003	2001-2002	2002-2003	2001-2002	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance .....	310,374,499	158,940,085	37,162,820	17,979,938	7,543,013	2,340,157	833,455,844	833,696,765	1,188,536,176	1,012,956,945	
RECEIPTS AND OTHER CREDITS—											
Contributions—											
Government employees .....	12,470,219	7,052,166	1,114,610	875,961	288,555	194,252					
Refired employees .....	449,304	373,851									
Public Service corporation employees .....	1,210,537	1,298,485									
Employer contributions—											
Government .....	190,034,492	106,719,013	14,489,933	10,672,649	10,334,461	3,221,482					
Public Service corporations .....	20,882,557	14,441,769									
Transfers from other pension funds .....	511										511
Refundable tax .....							1,053,046		1,053,046		
Interest .....	24,542,587	18,224,088	3,653,300	1,942,381	1,008,614	309,072	68,453,491	70,593,558	97,657,992	91,069,099	
Actuarial liability adjustment .....	77,700,000	77,700,000	13,400,000	13,400,000	1,000,000	3,000,000	4,700,000	4,700,000	96,800,000	98,800,000	
	327,290,207	225,809,372	32,657,843	26,890,991	12,631,630	6,724,806	74,206,537	75,293,558	446,786,217	334,718,727	
	637,664,706	384,749,457	69,820,663	44,870,929	20,174,643	9,064,963	907,662,381	908,990,323	1,653,322,393	1,347,675,672	
PAYMENTS AND OTHER CHARGES—											
Annuities .....	1,637,986	1,125,174	174,389	(1)	68,909	36,466	74,737,998	75,375,028	76,619,282	72,978,161	
Minimum benefits .....	32,974	3,174									32,974
Pension division .....	310,067	325,472									310,067
Transfer value and interest .....	116,638	182,724									116,638
Returns of contributions—											
Government employees .....	8,237	7,662									8,237
Public Service corporation employees .....	3,409	9,063									3,409
Transfers .....	235,757,000										235,757,000
Refundable tax .....	43,194,988	72,721,689	15,835,189	11,266,616	6,498,562	1,485,484					65,528,739
	281,061,299	74,374,958	16,009,578	7,708,109	6,567,471	1,521,950	74,737,998	75,534,479	378,376,346	159,139,496	
Closing balance .....	356,603,407	310,374,499	53,811,085	37,162,820	13,607,172	7,543,013	832,924,383	833,455,844	1,256,946,047	1,188,536,176	

(1) This amount includes a credit adjustment of \$3,672,886 for overstated benefit payments in fiscal year 1999. Had this correction not been necessary, the actual benefit payments for 2001-2002 would have been \$114,379.

## Supplementary Retirement Benefits Account

This account was established by the *Supplementary Retirement Benefits Act*, to provide for pension benefit increases resulting from changes in the Consumer Price Index.

The account continues to provide for increased pension benefits resulting from indexation for pensions of life senators, federally appointed judges, and recipients of pensions under various Continuation Acts and other Acts.

**TABLE 6.24**  
SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT

	Judges		Parliament		Others <sup>(1)(2)</sup>		Total	
	2002-2003	2001-2002	2002-2003	2001-2002	2002-2003	2001-2002	2002-2003	2001-2002
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance .....	82,240,890	75,729,295	76,262	75,209	446,000	435,641	82,763,152	76,240,145
<b>RECEIPTS AND OTHER CREDITS—</b>								
Employee contributions—								
Government .....	1,755,475	1,299,304			15,746	13,866	1,771,221	1,313,170
Matching contributions—								
Government .....	1,720,769	1,299,304			15,670	12,692	1,736,439	1,311,996
Interest .....	3,957,490	3,912,987	3,439	1,053	20,732	18,408	3,981,661	3,932,448
	7,433,734	6,511,595	3,439	1,053	52,148	44,966	7,489,321	6,557,614
	89,674,624	82,240,890	79,701	76,262	498,148	480,607	90,252,473	82,797,759
<b>PAYMENTS AND OTHER CHARGES—</b>								
Annuities .....			79,701		39,636	29,616	119,337	29,616
Returns of contributions .....						4,991		4,991
			79,701		39,636	34,607	119,337	34,607
Closing balance .....	89,674,624	82,240,890		76,262	458,512	446,000	90,133,136	82,763,152

<sup>(1)</sup> Includes lieutenant governors and non-career diplomats.

<sup>(2)</sup> Previous year's figures have been restated to exclude amounts for the Judges now shown separately.

## Allowance for Pension Adjustments

This account records the accounting adjustments resulting from annual actuarial valuations.

Estimation adjustments of \$2,191 million (\$2,347 million in 2002) due to experience gains and losses and changes in actuarial assumptions were amortized to this account and reduced pension costs for the year.

An amount of \$107 million (\$99 million in 2002) was recorded in this account during the year to offset pension costs charged to expenses in previous years but recorded in the accounts in the year.

An amount of \$569 million (\$283 million in 2002) was recorded in this account and reduced pension costs to adjust for the difference between the government contributions and the net cost of current services.

An amount of \$17 million was credited to this account and charged to expenses to reflect pension plan amendments.

An amount of \$198 million (\$14,887 million in 2002) was credited to this account in counterpart to the debit adjustments made in the superannuation accounts as a result of the most recent actuarial valuations.

An amount of \$1,215 million (\$2,541 million in 2002) was debited to this account to adjust for the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts and an amount of \$472 million (\$279 million in 2002) was recorded in this account to record the expected return on the pension plan assets.

As well, a consolidation adjustment of \$76 million (\$1,114 million in 2002) was credited to this account and debited against other income tax revenues to eliminate the effect of internal transactions resulting from tax amounts debited to the RCA accounts that were previously recorded as tax revenues.

The unamortized estimation adjustment of \$721 million (\$7,334 million in 2002) will be amortized to this account and will reduce expenses in future years.

As a result of annual actuarial valuations for accounting purposes, the net liability for public sector pensions was found to be \$8,920 million (\$11,269 million in 2002) lower than the balance of the superannuation accounts, plus the market related value of the assets invested in the PSPIB through the Pension Funds, and the contributions receivable from employees for past service. This amount is made of:

	Excess (shortfall) (in millions of dollars)	
	2003	2002
Public Service Pension Plan— Public Service Superannuation Account .....	8,293	9,881
Public Service Pension Fund .....	(892)	(89)
	7,401	9,792
Canadian Forces Pension Plan— Canadian Forces Superannuation Account .....	3,494	3,133
Canadian Forces Pension Fund .....	(293)	(102)
	3,201	3,031
Royal Canadian Mounted Police Pension Plan— Royal Canadian Mounted Police Superannuation Account .....	1,163	1,089
Royal Canadian Mounted Police Pension Fund .....	(112)	(5)
	1,051	1,084
Members of Parliament Retiring Allowances .....	50	37
Retirement Compensation Arrangements .....	(1,576)	(1,533)
Pension plan for federally appointed judges .....	(1,207)	(1,142)
Total.....	8,920	11,269

## Other employee and veteran future benefits

The Government sponsors a variety of other future benefit plans from which employees and former employees, (including military or Royal Canadian Mounted Police members) can benefit, during or after employment or upon retirement. Some are considered retirement benefits, whereby benefits are expected to be provided after retirement to employees and their beneficiaries or dependents. Others are considered post-employment benefits, whereby benefits are expected to be paid after employment but before retirement. Benefits for veterans are paid to war veterans, as well as to Canadian Forces retired veterans and Canadian Forces still-serving members. These are primarily post-employment benefits, but some benefits are also paid during employment to still-serving military members. Veterans' benefits include disability and associated benefits paid to veterans, beneficiaries and dependents.

The other major future benefits include the Public Service Health Care Plan and the Pensioners' Dental Services Plan available to retired employees and retired military and Royal Canadian Mounted Police members and post employment benefits such as workers' compensation benefits and severance benefits that accumulate. Table 6.25 presents the balance of these liabilities at year-end.

**TABLE 6.25**  
OTHER EMPLOYEE AND VETERAN FUTURE BENEFITS

	April 1/2002	Receipts and other credits	Payments and other charges	March 31/2003
	\$	\$	\$	\$
Veterans' disability and other future benefits .....	27,559,000,000	2,082,000,000	2,128,000,000	27,513,000,000
Public Service Health Care Plan .....	5,459,000,000	545,000,000	201,000,000	5,803,000,000
Pensioners' Dental Services Plan .....	1,308,000,000	111,000,000	29,000,000	1,390,000,000
Severance benefits .....	3,381,000,000	426,000,000	236,000,000	3,571,000,000
Workers' compensation .....	573,000,000	83,000,000	89,000,000	567,000,000
Total .....	38,280,000,000	3,247,000,000	2,683,000,000	38,844,000,000

All these plans are unfunded. The Public Service Health Care Plan and the Pensioners' Dental Services Plan are contributory plans. However, contributions by retired plan members are made to the plans only in the year the benefits are payable to retirees. Therefore the Government's liability and costs are shown net of members' contributions. The accrued benefit obligation related to these plans is determined actuarially for accounting purposes. As at March 31, the Government's recorded liability includes the following components:

(in millions of dollars)

		2003	2002	
	Accrued benefit obligation	Unamortized estimation adjustments	Future benefit liability	Future benefit liability
Veterans' disability and other future benefits .....	28,037	(524)	27,513	27,559
Public Service Health Care Plan .....	7,018	(1,215)	5,803	5,459
Pensioners' Dental Services Plan .....	1,225	165	1,390	1,308
Severance benefits .....	4,000	(429)	3,571	3,381
Workers' compensation .....	592	(25)	567	573
Total .....	40,872	(2,028)	38,844	38,280

The cost of these benefits can accrue either during the service life of employees or upon occurrence of an event giving rise to the liability under the terms of the plans. An interest component is charged to interest on the public debt based on the average accrued benefit obligation. During the year, the expense relating to these benefits was as follows:

(in millions of dollars)

		2003	2002		
	Benefits earned	Amortization of estimation adjustments	Interest expense	Total	Total
Veterans' disability and other future benefits .....	504	(24)	1,578	2,058	2,030
Public Service Health Care Plan .....	158	39	348	545	406
Pensioners' Dental Services Plan .....	35	(4)	76	107	99
Severance benefits .....	221	(6)	205	420	387
Workers' compensation .....	50		33	83	104
Total .....	968	5	2,240	3,213	3,026

## Canada Pension Plan

The Canada Pension Plan (the Plan) is a compulsory and contributory social insurance program which is designed to provide a measure of protection to Canadian workers and their families against loss of earnings due to retirement, disability or death. Established in 1965, the Plan operates in all parts of Canada, except the Province of Quebec which has a comparable plan.

Under existing arrangements, all pensions, benefits and expenditures incurred in the administration of the Plan are financed from contributions made by employees, employers and self-employed persons, and from investment returns.

As administrator, the Government's authority to spend is limited to the Plan's net assets of \$53,673 million (\$51,708 million in 2002).

The Canada Pension Plan Account (the Account) was established in the accounts of Canada to record the contributions, interest, pensions and benefits and administration expenditures of the Plan. It also records the amounts transferred to or received from the Canada Pension Plan Investment Fund (the Fund) and the Canada Pension Plan Investment Board (the Board). The Fund was established in the accounts of Canada to record the investment in bonds of provinces, territories and Canada. The Board operates at arm's length from the Government and invests in a diversified portfolio of securities.

Table 6.26 presents a reconciliation between the net assets shown in the Plan's financial statements and the Account, as well as a summary of the balances and transactions in the Account which result in the deposit with the Receiver General for Canada.

**TABLE 6.26**  
DUE TO CANADA PENSION PLAN

	April 1/2002	Receipts and other credits	Payments and other charges	March 31/2003
	\$	\$	\$	\$
<b>Canada Pension Plan balance per audited financial statements—</b>				
Net assets per audited financial statements <sup>(1)</sup> .....	51,708,418,526	23,961,770,097	21,997,162,582	53,673,026,041
Less: Receivables, net of liabilities <sup>(1)</sup> .....	2,377,461,235	2,556,893,389	2,377,461,235	2,556,893,389
Accumulated net income from Canada Pension Plan Investment Board's operations .....	(86,626,291)	(4,152,290,000)		(4,238,916,291)
	49,417,583,582	25,557,166,708	19,619,701,347	55,355,048,943
Less: transfers to Canada Pension Plan Investment Board.....	14,371,592,252		7,318,068,000	21,689,660,252
Subtotal.....	35,045,991,330	25,557,166,708	12,301,633,347	33,665,388,691
<b>Less: securities held by the Canada Pension Plan Investment Fund —</b>				
Canada.....	3,385,915,000	17,414,000		3,368,501,000
Newfoundland and Labrador .....	633,059,113	52,104,000	52,104,000	633,059,113
Nova Scotia.....	1,173,077,000	93,725,000		1,079,352,000
Prince Edward Island .....	140,339,000	11,360,000	11,360,000	140,339,000
New Brunswick .....	834,318,408	73,185,000	73,185,000	834,318,408
Quebec <sup>(2)</sup> .....	95,747,049	5,321,000	5,321,000	95,747,049
Ontario.....	11,943,667,000	1,235,751,000	38,130,000	10,746,046,000
Manitoba.....	1,259,971,000	131,555,000		1,128,416,000
Saskatchewan.....	1,219,609,000	110,084,000	41,182,000	1,150,707,000
Alberta.....	3,559,512,000	274,735,000	100,000,000	3,384,777,000
British Columbia .....	4,027,205,177	378,268,000	358,793,000	4,007,730,177
Yukon Territory .....	3,726,000			3,726,000
	28,276,145,747	2,383,502,000	680,075,000	26,572,718,747
Canada short-term investment.....	28,276,145,747	2,383,502,000	680,075,000	26,572,718,747
Deposit with the Receiver General for Canada.....	6,769,845,583	27,940,668,708	27,617,844,347	7,092,669,944

(1) The opening balance has been restated to reflect the new accrual methodology.

(2) The Quebec Bonds which are purchased by the Plan relate to the contributions of certain federal employees, such as members of the Canadian Armed Forces, who are resident in the Province of Quebec but contribute to the Plan.

Receipts and other credits include:

- (a) contributions at the combined employer and employee rates of 9.4 percent and 9.9 percent of pensionable earnings for the 2002 and 2003 calendar years, subject to maximum combined contributions of \$3,346 and \$3,604 respectively;
- (b) income from investments in bonds held by the Fund and from the average daily operating balance deposited with the Receiver General for Canada, and;
- (c) funds received from the federal, provincial and territorial governments for the bonds which have been disposed during the year.

Payments and other charges include:

- (a) pensions and benefits paid under the Plan as retirement pensions, survivors' benefits paid to spouse or common-law partner and orphans, or as lump sum death benefits, and disability benefits to eligible contributors and their children;
- (b) pensions and benefits paid and recovered from the Plan, in accordance with an agreement with a province providing a comprehensive pension plan;
- (c) payments that are required to be charged to the Plan, in accordance with reciprocal agreements with other countries;
- (d) the costs of administration of the Plan;
- (e) funds reinvested during the year in the bonds of provincial and territorial governments; and,
- (f) funds transferred to the Board.

For additional information, the financial statements of the Plan are included with other Supplementary Statements at the end of this section. Additional information on the funding of the Plan may also be obtained from the *Nineteenth Actuarial Report on the Canada Pension Plan* prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions.

## Government Annuities Account

This account was established by the *Government Annuities Act*, and modified by the *Government Annuities Improvement Act*, which discontinued sales of annuities in 1975. The account is valued on an actuarial basis each year, with the deficit or surplus charged or credited to the Consolidated Revenue Fund.

The purpose of the *Government Annuities Act* was to assist Canadians to provide for their later years, by the purchase of Government annuities. The *Government Annuities Improvement Act* increased the rate of return and flexibility of Government annuity contracts.

Receipts and other credits consist of premiums received, funds reclaimed from the Consolidated Revenue Fund for previously untraceable annuitants, earned interest and any transfer needed to cover the actuarial deficit. Payments and other charges represent matured annuities, the commuted value of death benefits, premium refunds and withdrawals, and actuarial surpluses and unclaimed items transferred to non-tax revenues. The amounts of unclaimed annuities, related to untraceable annuitants, are transferred to non-tax revenues.

As of March 31, 2003, over 82,533 annuitants held 89,884 active contracts, each annuitant receiving an average payment of \$657.40. During the year, 771 deferred annuities came into payment and another 222 deferred contracts were terminated at or before maturity, due to death, small refunds or unclaimed funds. Therefore, as of March 31, 2003, there were 4,331 outstanding deferred annuities, the last of which will come into payment around the year 2030.

During the 2002-2003 fiscal year, 6,061 annuities were terminated or adjusted as a result of annuitant deaths: 3,974 group certificates and 2,087 individual contracts. The average age at death for males was 83.2 while the female age at death averaged 87.5.

Total income amounted to \$30.8 million, \$30.6 million of which represented interest of 7 percent credited to the Account. Premiums received totaled \$53,689. Total disbursements of \$61.3 million originated mainly from the \$60.7 million in payments made under matured annuities. An amount of \$305,016 was used to refund premiums at death before maturity or when the annuity would have been too small, and \$246,006 was transferred to the Consolidated Revenue Fund as a result of unclaimed annuities.

The opening balance of \$475.8 million was reduced due to a surplus as at April 1, 2002 of \$4.5 million, transferred to the Consolidated Revenue Fund, and disbursements exceeding income by \$30.4 million during 2002-2003. Since the actuarial reserves required as of March 31, 2003 were only \$437.6 million, a surplus of \$3.3 million was also transferred to the Consolidated Revenue Fund.

## Deposit and Trust Accounts

Deposit and trust accounts is a group of liabilities representing the Government's financial obligations in its role as administrator of certain moneys that it has received or collected for specified purposes and that it will pay out accordingly. To the extent that the funds received are represented by securities,

these are deducted from the corresponding accounts to show the Government's net liability. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.27 presents a summary of the balances and transactions in deposit and trust accounts.

**TABLE 6.27**  
**DEPOSIT AND TRUST ACCOUNTS**

	April 1/2002	Receipts and other credits	Payments and other charges	March 31/2003
	\$	\$	\$	\$
<b>Deposit accounts—</b>				
Agriculture and Agri-Food—				
Guarantee deposits—Board of Arbitration and Review Tribunal .....	4,410		4,410	
Canadian Dairy Commission—				
Canadian Dairy Commission account.....	1,439,285	56,506,745	56,417,038	1,528,992
1,443,695		56,506,745	56,421,448	1,528,992
Canada Customs and Revenue Agency—				
Guarantee deposits.....	19,001,526	15,992,077	2,474,263	32,519,340
Less: securities held in trust .....	2,286,000	1,207,200	4,005,000	5,083,800
16,715,526		17,199,277	6,479,263	27,245,540
Temporary deposits received from importers .....	1,232,853	630,188	1,165,560	697,481
Less: deposits in special bank accounts .....	1,232,853	1,232,853		
		1,863,041	1,165,560	697,481
	16,715,526	19,062,318	7,644,823	28,133,021
Citizenship and Immigration—				
General security deposits .....	358,196	496,272	11,594	842,874
Immigration guarantee fund.....	24,217,732	8,367,890	7,743,805	24,841,817
Seized monetary assets .....	6,824		6,824	
	24,582,752	8,864,162	7,762,223	25,684,691
Finance—				
Canada Development Investment Corporation—				
Holdback—Privatization .....	82,000,000		19,000,000	63,000,000
Canada Hibernia Holding Corporation—				
Abandonment reserve fund .....	82,000,000	21,000,000	21,000,000	84,000,000
Human Resources Development—				
Canada Labour Code—Other.....	10,990	375,663	331,944	54,709
Canada Labour Code—Wage Recovery				
Appeals .....	528,540	590,020	467,579	650,981
Fair wages deposit account .....	910	557	557	910
	540,440	966,240	800,080	706,600
Indian Affairs and Northern Development—				
Agent administered Indian minors account .....	84,706	4,514	51,255	37,965
Less: securities held in Peace Hills Trust .....	84,706	51,255	4,514	37,965
		55,769	55,769	
Field British Columbia and Yukon Operations of the				
Northern Canada Power Commission.....	992,588			992,588
Guarantee deposits.....	18,068,865	27,183,031	11,963,773	33,288,123
Less: securities held in trust .....	13,534,526	8,404,740	22,097,110	27,226,896
	4,534,339	35,587,771	34,060,883	6,061,227
Guarantee deposits—Oil and gas.....	194,368,134	6,393,718	14,192,863	186,568,989
Less: securities held in trust .....	190,646,737	14,284,403	4,248,615	180,610,949
	3,721,397	20,678,121	18,441,478	5,958,040
Guarantee deposits—Reserve resources.....	766,953			766,953
Special accounts—Section 63,				
Indian Act .....	100,855	3,560,985	3,740,708	(78,868)
Less: deposits in special bank accounts .....	100,855	3,418,961	3,239,238	(78,868)
		6,979,946	6,979,946	
	10,015,277	63,301,607	59,538,076	13,778,808

TABLE 6.27

DEPOSIT AND TRUST ACCOUNTS—*Concluded*

	April 1/2002	Receipts and other credits	Payments and other charges	March 31/2003
	\$	\$	\$	\$
<b>Industry—</b>				
Trustee Performance Securities—Bankruptcy and Insolvency Act.....	19,000			19,000
<b>Justice—</b>				
Supreme Court of Canada—				
Security for costs.....	355,844	12,186	15,165	352,865
Tax Court of Canada—				
Security for costs.....	355,844	8,214	8,214	352,865
20,400		23,379		
<b>Natural Resources—</b>				
Guarantee deposits—Oil and gas.....	512,692,691	68,495,012	129,480,560	451,707,143
Less: securities held in trust .....	510,123,337	125,217,872	60,896,826	445,802,291
	2,569,354	193,712,884	190,377,386	5,904,852
<b>Privy Council—</b>				
Chief Electoral Officer—Candidates' and committees' deposits —Election and referendum.....	138,000	50,000	172,000	16,000
<b>Public Works and Government Services—</b>				
Contractors' security deposits (departments and agencies)—				
Bonds .....	936,441	20,063	253,300	703,204
Less: securities held in trust .....	683,141		20,063	703,204
	253,300	20,063	273,363	
Cash.....	5,937,137	8,773,059	6,307,076	8,403,120
Certified cheques.....	(21,783)	297,667	238,848	37,036
Less: securities held in trust .....		(21,783)	297,667	37,036
Deposits on disposals .....		207,505		207,505
Seized property—Cash .....	26,026,701	40,252,155	29,004,223	37,274,633
	32,195,355	49,550,449	35,823,510	45,922,294
<b>Total deposit accounts .....</b>	<b>170,575,243</b>	<b>413,034,805</b>	<b>377,562,925</b>	<b>206,047,123</b>
<b>Trust accounts—</b>				
Indian Affairs and Northern Development—				
Indian band funds—				
Capital accounts, Table 6.28 .....	992,267,118	184,654,973	154,620,736	1,022,301,355
Revenue accounts, Table 6.29 .....	148,111,767	122,014,089	92,592,791	177,533,065
	1,140,378,885	306,669,062	247,213,527	1,199,834,420
Indian estate accounts <sup>(1)</sup> .....	11,602,499	5,296,794	4,114,911	12,784,382
Indian savings accounts .....	51,948,339	7,174,936	19,950,622	39,172,653
	1,203,929,723	319,140,792	271,279,060	1,251,791,455
National Defence—				
Estates—Armed services .....	334,891	2,075,067	2,043,703	366,255
Solicitor General—				
Canadian Security Intelligence Service—				
Scholastic awards .....	31,183	1,338	2,000	30,521
Correctional Service—				
Inmates' trust fund .....	9,824,843	30,784,799	30,467,267	10,142,375
Royal Canadian Mounted Police—				
Benefit trust fund .....	2,087,578	118,379	207,671	1,998,286
	11,943,604	30,904,516	30,676,938	12,171,182
Veterans Affairs—				
Administered accounts .....	2,746,152	944,570	1,147,221	2,543,501
Estates fund .....	2,588,724	321,608	229,428	2,680,904
Veterans administration and welfare trust fund .....	775,149	67,745	256,252	586,642
	6,110,025	1,333,923	1,632,901	5,811,047
<b>Total trust accounts .....</b>	<b>1,222,318,243</b>	<b>353,454,298</b>	<b>305,632,602</b>	<b>1,270,139,939</b>
<b>Total deposit and trust accounts .....</b>	<b>1,392,893,486</b>	<b>766,489,103</b>	<b>683,195,527</b>	<b>1,476,187,062</b>

<sup>(1)</sup> This account has been restated to reflect a partial transfer to Table 6.30 under the account «Indian special accounts».

## **Guarantee deposits—Board of Arbitration and Review Tribunal**

This account was established to record deposits of oral hearing fees. The expenses incurred by the Board of Arbitration and Review Tribunal, established pursuant to the *Canada Agricultural Products Act*, are charged to this account.

During the year, the account was closed.

## **Canadian Dairy Commission account**

The Canadian Dairy Commission is a Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*. This account was established for banking purposes using the Consolidated Revenue Fund pursuant to section 15 of the *Canadian Dairy Commission Act*.

## **Guarantee deposits—Canada Customs and Revenue Agency**

This account was established to record cash and securities required to guarantee payment of customs duties and excise taxes on imported goods, and of sales and excise taxes payable by licensees pursuant to the *Customs Act* and the *Excise Tax Act*.

## **Temporary deposits received from importers**

This account was established to record temporary security deposits received from importers to ensure compliance with various departmental (Customs and Excise) regulations regarding temporary entry of goods.

## **General security deposits**

This account was established to record general security deposits from transportation companies in accordance with subsection 148 of the *Immigration and Refugee Protection Act*.

## **Immigration guarantee fund**

This account was established by sections 14, 26, 44, 56, 58 and 148 of the *Immigration and Refugee Protection Act*, to record amounts collected and held pending final disposition, either by refund to the original depositor, or forfeiture to the Crown.

## **Seized monetary assets**

This account was established in accordance with sections 137 and 140 of the *Immigration and Refugee Protection Act* which authorized the Officer to seize and hold anything that is believed to be, on reasonable ground, was fraudulently or improperly obtained or used or that the seizure is necessary to prevent its fraudulent or improper use or to carry out the purpose of the Act.

## **Holdback—Privatization—Canada Development Investment Corporation**

This account was established pursuant to subsection 129(1) of the *Financial Administration Act*. This special purpose money is to be used to meet costs incurred on the sale of Crown corporations and demand for payment by purchasers pursuant to the acquisition agreement and costs incurred by the Canada Development Investment Corporation in connection with their sale.

## **Canada Hibernia Holding Corporation—Abandonment reserve fund**

This account was established to record funds which will be used to defray the future abandonment costs that will occur at the closure of the Hibernia field.

## **Canada Labour Code—Other**

This account was established to record amounts received under the provisions of section 251 of the Canada Labour Code Part III. The receipts are wage payments ordered by a Labour inspector in settlement of a wages dispute, which the employer has chosen to pay to the Minister of Labour instead of paying them directly to the employee. These amounts are then paid out to the employees.

## **Canada Labour Code—Wage Recovery Appeals**

This account was established to record amounts received under the provisions of section 251.1 of the Canada Labour Code Part III. This requires federally-regulated employers who wish to appeal a payment order made by a Labour inspector regarding wages due to employees, to forward the amounts due to the Minister of Labour for deposit. They are held until the appeal is completed and the adjudicator has directed payment of the disputed amount to the employee or return to the employer. Deposits in this account are interest-bearing at the rate set by the Minister of Finance for contractor's deposits.

## **Fair wages deposit account**

This account is operated under the authority of section 13 of the Fair Wages and Hours of Labour Regulations. Where an investigation in respect of a contract on Government works results in an award of wages, the amount received from the contractor is credited to this account, and is subsequently distributed to employees.

The account also records amounts received from departments and agencies, representing wages in respect of contracts, withheld from final payment to contractors.

## **Agent administered Indian minors account**

This account was established to record moneys belonging to Indian minors transferred to and held by an appointed agent pursuant to section 52 of the *Indian Act*.

## Field British Columbia and Yukon Operations of the Northern Canada Power Commission

This account was established to record amounts deposited by the Northern Canada Power Commission to reimburse liabilities pertaining to Field, British Columbia and Yukon Operations of the Northern Canada Power Commission.

## Guarantee deposits—Indian Affairs and Northern Development

This account was established to record cash and securities deposited as guarantees for performance as required by permits, leases, authorizations and water licences, pursuant to section 8 of the *Arctic Waters Pollution Prevention Act*, section 17 of the *Yukon Waters Act* and of the *Northwest Territories Waters Act* and various regulations under the *Territorial Lands Act*. Interest is not allowed on cash deposits.

## Guarantee deposits—Oil and gas—Indian Affairs and Northern Development

This account was established to record securities in the form of cash, promissory notes, letters of credit or other acceptable instruments which are required to be issued to, and held by the Government of Canada pursuant to a signed Exploration Agreement in accordance with the *Canada Petroleum Resources Act*. These securities are a performance guarantee or refundable rental that the agreed exploration work will be performed in the manner and time frame specified. Interest is not paid on these deposits.

## Guarantee deposits—Reserve resources

This account was established to record cash and bond security deposits with respect to Indian reserve licences and contracts for the development of resources, in accordance with the various regulations made under section 57 of the *Indian Act*. Interest is allowed on cash deposits.

## Special accounts—Section 63, *Indian Act*

This account was established to record moneys held for Indians in authorized banks across Canada. These moneys include such items as deposits and payments on leases held for individual Indians, and those to be split between individual Indians and Indian bands. This is a non-interest bearing account.

## Trustee Performance Securities—Bankruptcy and Insolvency Act

This account was established in accordance with section 16 of the *Bankruptcy and Insolvency Act*, whereby a duly appointed trustee shall give security in cash or by bond of a guaranty company, satisfactory to the official receiver, for the due accounting for the payment and the transfer of all property received by him as trustee and for the due and faithful performance of his duties.

## Security for costs—Supreme Court of Canada

This account was established to record security to the value of \$500 deposited by an Appellant with the Registrar of the Supreme Court of Canada in accordance with paragraph 60(1)(b) of the *Supreme Court Act*. As per section 87 of the Rules of the Supreme Court of Canada, interest is paid on money deposited as security.

## Security for costs—Tax Court of Canada

This account was established to record moneys paid into the Tax Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held in trust pending payment of such moneys, in accordance with a judgment of the Court.

## Guarantee deposits—Oil and gas—Natural Resources

This account was established to record securities in the form of cash, promissory notes, and bonds which are required to be issued to, and held by the Government of Canada pursuant to an Exploration Licence in accordance with section 24 of the *Canada Petroleum Resources Act*. These securities are a performance guarantee that the agreed exploration will be performed in the manner and time frame specified. Interest is not paid on these deposits.

## Candidates' and committees' deposits—Election and referendum

This account was established to record candidates' election and committees' referendum deposits received in respect of an election (general or by-election) or a referendum.

Pursuant to the *Canada Election Act* or the *Referendum Act*, amounts received are either refunded to candidates or committees, or are transferred to non-tax revenues.

## Contractors' security deposits

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

The debit balance in this account is the result of a processing delay and will be cleared in the new fiscal year.

## Deposits on disposals

This account was established in accordance with the terms and conditions of the Real Property Disposition Revolving Fund to record receipts on future disposals of properties that are not closed at the end of the year.

## Seized property—Cash

This account was established pursuant to the *Seized Property Management Act*, to record seized cash and proceeds from the interlocutory sale of seized assets. These funds will be deposited to the Consolidated Revenue Fund and credited to the account until returned to the owner or forfeited.

## Indian band funds

This account was established to record moneys belonging to Indian bands throughout Canada pursuant to sections 61 to 69 of the *Indian Act*.

**TABLE 6.28**

### INDIAN BAND FUNDS—CAPITAL ACCOUNTS

	2002-2003	2001-2002
	\$	\$
Opening balance.....	992,267,118	976,524,519
<b>RECEIPTS AND OTHER CREDITS—</b>		
Oil royalties.....	26,441,729	24,406,467
Gas royalties.....	143,152,817	149,432,161
Sundries.....	15,060,427	14,421,122
	184,654,973	188,259,750
	1,176,922,091	1,164,784,269
<b>PAYMENTS AND OTHER CHARGES—</b>		
Per capita cash distribution.....	14,902,585	8,797,578
Transfer pursuant to section 64 of the Indian Act.....	139,620,088	163,715,643
Sundries.....	98,063	3,930
	154,620,736	172,517,151
Closing balance .....	1,022,301,355	992,267,118

**TABLE 6.29**

### INDIAN BAND FUNDS—REVENUE ACCOUNTS

	2002-2003	2001-2002
	\$	\$
Opening balance.....	148,111,767	138,797,339
<b>RECEIPTS AND OTHER CREDITS—</b>		
Government interest.....	63,007,500	65,098,582
Court awards and settlements.....	26,602,498	
Land and other claim settlements.....	5,392,000	120,000
Sundries.....	27,012,091	26,778,718
	122,014,089	91,997,300
	270,125,856	230,794,639
<b>PAYMENTS AND OTHER CHARGES—</b>		
Per capita cash distribution.....	14,551,727	25,718,180
Transfer pursuant to section 69 of the Indian Act.....	76,216,607	54,964,407
Sundries.....	1,824,457	2,000,285
	92,592,791	82,682,872
Closing balance .....	177,533,065	148,111,767

## Indian estate accounts

These accounts were established to record moneys received and disbursed for estates of deceased Indians, mentally incompetent Indians and missing Indians pursuant to sections 42 to 51 and 52.3 of the *Indian Act*.

## Indian savings accounts

These accounts were established to record moneys received and disbursed for individual Indians pursuant to sections 52 and 52.1 to 52.5 of the *Indian Act*.

## Estates—Armed services

This account was established to record the service estates of deceased members of the Canadian Forces pursuant to section 42 of the *National Defence Act*. Net assets of estates are distributed to legal heirs under the administration of the Judge Advocate General, in his capacity as Director of Estates.

## Scholastic awards

This account was established to record donations of \$26,000 to be used for the presentation of scholarship awards to children of employees of the Canadian Security Intelligence Service to encourage university studies.

## Inmates' trust fund

Pursuant to section 111 of the Corrections and Conditional Release Regulations, this account is credited with moneys received from inmates at the time of incarceration, net earnings of inmates from employment inside institutions, moneys received for inmates while in custody, moneys received from sales of hobby craft, money earned through work while on day parole, and interest. Payments to assist in the reformation and rehabilitation of inmates are charged to this account.

## Benefit trust fund

This account was established by section 23 of the *Royal Canadian Mounted Police Act*, to record moneys received by personnel of the Royal Canadian Mounted Police, in connection with the performance of duties, over and above their pay and allowances.

### Administered accounts

Pursuant to section 41 of the *Pension Act* and section 15 of the *War Veterans Allowance Act*, these accounts are under the jurisdiction of the Department of Veterans Affairs. Moneys held in these accounts include: (a) pensions and war veterans allowances placed under the administration of the Department of Veterans Affairs; and, (b) benefits from other sources such as Old Age Security, Guaranteed Income Supplement or Canada Pension Plan, placed under administration with the consent of the client. These persons have demonstrated their inability to manage their own affairs.

Payments are made out of the accounts, to provide food, shelter, clothing, comforts and other necessities.

### Estates fund

This account was established to record the proceeds from the estates of those veterans who died while receiving hospital treatment or institutional care, and for those veterans whose funds had been administered by the Government, in accordance with sections 5, 6 and 7 of the Veterans' Estates Regulations. Individual accounts are maintained and payments are made to beneficiaries pursuant to the Estates Regulations.

### Veterans administration and welfare trust fund

This account was established to record donations, legacies, gifts, bequests, etc., received, to be disbursed for the benefit of veterans or their dependents under certain conditions, and for the benefit of patients in institutions, in accordance with section 9 of the Guardianship of Veterans' Property Regulations.

## Other Specified Purpose Accounts

There are a number of other specified purpose accounts operated by the Government, such as insurance, death benefit and pension accounts. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.30 presents a summary of the balances and transactions for all other specified purpose accounts.

**TABLE 6.30**  
OTHER SPECIFIED PURPOSE ACCOUNTS

	April 1/2002	Receipts and other credits	Payments and other charges	March 31/2003
	\$	\$	\$	\$
<b>Insurance and death benefit accounts—</b>				
Finance—				
Office of the Superintendent of Financial Institutions—				
Insurance company liquidation.....	20,493,910		915,916	19,577,994
Human Resources Development—				
Civil service insurance fund .....	7,899,900	150,554	532,586	7,517,868
National Defence—				
Regular forces death benefit account,				
Table 6.31 .....	191,986,722	30,711,016	29,621,400	193,076,338
Treasury Board—				
Public Service death benefit account,				
Table 6.32 .....	1,897,231,807	226,369,192	125,323,904	1,998,277,095
Veterans Affairs—				
Returned soldiers' insurance fund .....	55,487		10,863	44,624
Veterans insurance fund.....	10,197,665	246,711	867,967	9,576,409
	10,253,152	246,711	878,830	9,621,033
<b>Total insurance and death benefit accounts.....</b>	<b>2,107,371,581</b>	<b>277,971,383</b>	<b>157,272,636</b>	<b>2,228,070,328</b>
<b>Pension accounts—</b>				
Human Resources Development—				
Annuities agents' pension account .....	10,263	4,318	4,764	9,817
Solicitor General—				
Royal Canadian Mounted Police—				
Dependants' pension fund .....	31,370,192	2,491,253	2,942,410	30,919,035
Treasury Board—				
Locally engaged contributory pension account.....		58,877	58,877	
<b>Total pension accounts.....</b>	<b>31,380,455</b>	<b>2,554,448</b>	<b>3,006,051</b>	<b>30,928,852</b>
<b>Other accounts—</b>				
Agriculture and Agri-Food—				
Net Income Stabilization Account .....	1,748,796,879	1,340,871,098	847,893,607	2,241,774,370
Canadian Food Inspection Agency—				
Shared-cost agreements .....	1,687,205	2,600,467	2,624,879	1,662,793
Canadian Grain Commission—				
Automated Quality Testing—Private sector .....	56,735	71,249	100,467	27,517
	1,750,540,819	1,343,542,814	850,618,953	2,243,464,680
Canada Customs and Revenue Agency—				
Deposits/Disbursements—Worker's Compensation Board .....	4,597,701	167,362,712	167,247,119	4,713,294
Canadian Heritage—				
Miscellaneous projects deposits .....	526,001	283,912	456,062	353,851
Telefilm Canada (formerly Canadian Film Development Corporation)—				
Advance account.....	(12,111,494)	296,295,442	276,847,537	7,336,411
National Archives of Canada—				
Donations.....	216,633	136,838	122,554	230,917

**TABLE 6.30**

## OTHER SPECIFIED PURPOSE ACCOUNTS—Continued

	April 1/2002	Receipts and other credits	Payments and other charges	March 31/2003
	\$	\$	\$	\$
National Library—				
Special Operating Account .....	211,335	913,718	509,331	615,722
Parks Canada Agency—				
Miscellaneous projects deposits .....	283,482	1,090	22,377	262,195
	(10,874,043)	297,631,000	277,957,861	8,799,096
Citizenship and Immigration—				
Immigrant investor program .....		4,000,000		4,000,000
Environment—				
Miscellaneous projects deposits .....	4,530,803	5,496,998	4,830,827	5,196,974
Finance—				
Common school funds—Ontario and Quebec .....	2,677,771			2,677,771
Foreign claims fund .....	179,020			179,020
War claims fund—World				
War II .....	4,236			4,236
	2,861,027			2,861,027
Fisheries and Oceans—				
Federal/provincial cost-sharing agreements .....	1,242,535	757,308	972,574	1,027,269
Miscellaneous projects deposits .....	10,533,280	27,577,434	18,068,702	20,042,012
Sales of seized assets .....	1,260,043	480,089	800,623	939,509
	13,035,858	28,814,831	19,841,899	22,008,790
Foreign Affairs and International Trade—				
Canada Foundation account .....	331,208	46,345		377,553
Less: securities held in trust .....	309,358		59,147	368,505
deposits in a special bank account .....	21,850	12,802		9,048
		59,147	59,147	
Financial assistance to Canadians abroad .....	110,475	1,205,610	1,193,827	122,258
Funds from non-governmental organizations .....	8,795,567	41,009,788	41,916,973	7,888,382
Shared-cost projects .....	2,003,825	3,310,520	4,308,147	1,006,198
Canadian International Development Agency—				
Shared-cost projects—International conferences .....	111,555	583,665		695,220
NAFTA Secretariat, Canadian Section—				
Shared-cost agreements .....	1,099			1,099
	11,022,521	46,168,730	47,478,094	9,713,157
Health—				
Canadian Sports Pool Corporation—Other outstanding liabilities .....	50,000			50,000
Collaborative research projects .....	1,533,425	955,094	671,568	1,816,951
Miscellaneous federal/provincial projects .....	1,970,835	5,727,612	5,791,426	1,907,021
Pan American Health Organization .....	(1,154)			(1,154)
World Health Organization .....	104,515			104,515
	3,657,621	6,682,706	6,462,994	3,877,333
Human Resources Development—				
Federal/provincial shared-cost project .....	2,634,941	14,497,681	14,503,590	2,629,032
Federal/provincial shared-cost project—Interprovincial Computerized Examination Management System (ICEMS) .....	86,774	1,314,054	585,345	815,483
Labour standards suspense account .....	1,337,383	7,418		1,344,801
Canadian Centre for Occupational Health and Safety—				
PanAsia Research and Development Grants Program .....	123,923	159,000	152,387	130,536
Shared-cost agreements .....		110,000		110,000
	4,183,021	16,088,153	15,241,322	5,029,852
Indian Affairs and Northern Development—				
Indian special accounts <sup>(1)</sup> .....	383,589	1,354	1,354	383,589
Indian band funds—				
Shares and certificates .....	20,000			20,000
Less: securities held in trust .....	20,000			20,000
Indian compensation funds .....	222,340			222,340
Indian moneys suspense account .....	36,190,516	19,778,096	20,481,863	35,486,749
	36,796,445	19,779,450	20,483,217	36,092,678

**TABLE 6.30**OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/2002	Receipts and other credits	Payments and other charges	March 31/2003
	\$	\$	\$	\$
<b>Industry—</b>				
Canada/Provinces Business Service Centre .....		400,000	400,000	
Income from securities in trust—Bankruptcy and Insolvency Act .....	49,865	1,966		51,831
Petro-Canada Enterprises Inc—Unclaimed shares .....	695,313			695,313
Securities in trust—Bankruptcy and Insolvency Act .....	31,266			31,266
Less: securities held in trust .....	31,266			31,266
Shared-cost agreements—Tourism .....	2,250		2,250	
Shared-cost/joint project agreements—Research .....	165,352	59,700	74,187	150,865
Shared-cost projects .....	3,358,829	1,817,590	1,627,917	3,548,502
Unclaimed dividends and undistributed assets—				
Bankruptcy and Insolvency Act .....	7,061,971	2,413,467	1,174,043	8,301,395
Canada Business Corporations Act .....	1,778,281	391,036		2,169,317
Winding-up Act .....	529,659			529,659
Atlantic Canada Opportunities Agency—				
Federal/provincial agreement—Advance account .....	1,462,705	6,169,501	6,796,035	836,171
Canadian Space Agency—				
RadarSat .....	114,215		6,757	107,458
Natural Sciences and Engineering Research Council—				
Trust fund .....	1,123,095	459,105	658,333	923,867
Statistics Canada—				
Project deposits .....	4,631,844	9,340,926	8,154,139	5,818,631
Western Economic Diversification—				
Jobs and economic restoration initiative .....	36,943	41,066		78,009
Shared-cost agreements—Port of Churchill .....	144,178		144,178	
	21,154,500	20,694,357	18,637,839	23,211,018
<b>Justice—</b>				
Federal Court of Canada—				
Federal Court special account .....	14,978,032	5,706,165	9,072,806	11,611,391
National Defence—				
Foreign governments—				
United Kingdom—				
British Army—Suffield, Alberta .....	20,418,722	65,557,053	67,284,196	18,691,579
Wainwright, Alberta .....	875,302	5,047,513	4,971,008	951,807
Other activities .....	5,676,648	17,231,615	16,352,550	6,555,713
United States of America .....	43,996		43,996	
Federal Republic of Germany—				
German Army—Shilo, Manitoba .....	6,674,323	2,983,687	1,694,759	7,963,251
Other activities .....	8,164,078	23,270,645	20,972,001	10,462,722
Netherlands .....	6,086,608	9,764,334	13,007,649	2,843,293
Italian Air Force Training .....	122	15,322,933	14,512,511	810,544
Air projects .....	181,000	2,284,000		2,465,000
Material projects .....	84,796		84,796	
Security .....	804,858	1,880,280	2,039,893	645,245
NATO Flying Training Centre .....	13,178,387	944,485		14,122,872
	62,188,840	144,286,545	140,963,359	65,512,026
Joint research and development projects .....	2,121,555	1,747,724	1,757,337	2,111,942
Non-government agencies .....	2,010,953	861,872	1,508,813	1,364,012
North Atlantic Treaty Organization (NATO)—				
Infrastructure projects .....	6,618,109			6,618,109
	72,939,457	146,896,141	144,229,509	75,606,089
<b>Natural Resources—</b>				
Market development incentive payments—Alberta .....	6,715,777	185,454	584,960	6,316,271
Newfoundland Offshore Revenue Account .....		55,850,422	55,850,422	
Nova Scotia Offshore Revenue Account .....		21,620,233	21,620,233	
Shared-cost agreements—Research .....	4,104,870	2,557,544	3,823,746	2,838,668
Shared-cost projects .....	9,573,861	6,407,239	8,730,397	7,250,703
Canadian Nuclear Safety Commission—				
Security equipment purchases .....		246,422	16,802	229,620
	20,394,508	86,867,314	90,626,560	16,635,262

TABLE 6.30

## OTHER SPECIFIED PURPOSE ACCOUNTS—Concluded

	April 1/2002	Receipts and other credits	Payments and other charges	March 31/2003
	\$	\$	\$	\$
Privy Council—				
Shared-cost projects—Media travel expenses .....	276,061	518,970	339,374	455,657
Canadian Centre for Management Development—				
Donations <sup>(2)</sup> .....	13,787		13,787	
	289,848	518,970	353,161	455,657
Public Works and Government Services—				
Francophone Summits .....	33,645		4,687	28,958
Military purchases excess funds deposit(3) .....	41,827,545		9,205,404	32,622,141
Less: securities held in trust(3) .....	41,827,545	9,205,404	9,205,404	32,622,141
		9,205,404	9,205,404	
	33,645	9,205,404	9,210,091	28,958
Solicitor General—				
Joint research and development projects .....	2,912,904	2,620,543	3,521,238	2,012,209
Royal Canadian Mounted Police—				
Joint research and development projects .....	382,658	64,620	130,233	317,045
Seized assets—Canadian funds .....	1,272,672		1,041,774	230,898
	4,568,234	2,685,163	4,693,245	2,560,152
Transport—				
Crown Corporation Trusts—Donations .....	246,351	407,203	198,003	455,551
Treasury Board—				
Credit card—Special project fund .....	1,000,000			1,000,000
Total .....	1,955,956,348	2,208,548,111	1,687,183,500	2,477,320,959
Less: consolidation adjustment <sup>(4)</sup> .....	(12,111,494)	19,447,905		7,336,411
Total other accounts .....	1,968,067,842	2,189,100,206	1,687,183,500	2,469,984,548
Total other specified purpose accounts .....	4,106,819,878	2,469,626,037	1,847,462,187	4,728,983,728

<sup>(1)</sup> This account includes the formerly "Fines—*Indian Act*" and part of the "Indian estate accounts".<sup>(2)</sup> During the year, the account was transferred to Table 6.33.<sup>(3)</sup> The opening balance has been restated by \$4,807,537.<sup>(4)</sup> Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

## Insurance company liquidation

This account was established to record receipts and disbursements resulting from the liquidation of the estate, of various insurance companies for which the Superintendent of Financial Institutions is the court appointed liquidator.

## Civil service insurance fund

This account was established by the *Civil Service Insurance Act*, introduced to enable the Minister of Finance to contract with a person appointed to a permanent position in any branch of the public service, for the payment of certain death benefits. No new contracts have been entered into since 1954, when the Supplementary Death Benefit Plan for the Public Service and Canadian Forces was introduced as part of the *Public Service Superannuation Act* and the *Canadian Forces Superannuation Act*, respectively. As of April 1<sup>st</sup>, 1997, the Department of Human Resources Development assumed responsibility for the administration and the actuarial valuation of the *Civil Service Insurance Act*.

The number of policies in force as of March 31, 2003 was 1,777 and the average age of the policyholders was 84.8 years. During the year, premiums of \$4,146 were received. Death benefits, settlement annuities and premium refunds of \$532,586 were paid during 2002-2003.

According to the actuarial valuation and with the prescribed actuarial assumptions, the liabilities in respect of the benefits provided under the Act are estimated at \$7,517,868 as at March 31, 2003. The assets as at March 31, 2003 are \$7,371,460. The deficit as at March 31, 2003 is therefore \$146,408. Pursuant to subsection 16(3) of the Civil Service Insurance Regulations, an amount of \$146,408 has therefore been credited to the Account from the Consolidated Revenue Fund in 2002-2003.

## Regular forces death benefit account

This account was established by the *Canadian Forces Superannuation Act*, to provide life insurance to contributing members of the Armed Forces. Receipts and other credits consist of: (a) contributions by participants; (b) Government's contribution paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*; (c) single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution; and, (d) interest.

Payments and other charges consist of: (a) benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular forces; (b) benefits paid in respect of elective regular forces participants, to whom pensions were not payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular forces; and, (c) the portion of benefit payable for which a single premium has been paid by the Government.

**TABLE 6.31**

### REGULAR FORCES DEATH BENEFIT ACCOUNT

	2002-2003	2001-2002
	\$	\$
Opening balance.....	191,986,722	189,442,223
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions by personnel.....	12,426,031	11,787,829 <sup>(1)</sup>
Government's contribution .....	1,999,561	(635,197)
Single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution.....	633,393	683,746
Interest.....	15,652,031	15,214,154
	30,711,016	27,050,532
	222,697,738	216,492,755
<b>PAYMENTS AND OTHER CHARGES—</b>		
Benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pen- sions were payable under the Canadian Forces Superannuation Act or the Defence Services Pension Continuation Act .....	29,621,400	24,506,033
Closing balance .....	193,076,338	191,986,722

<sup>(1)</sup> Contributions by the Government includes a debit adjustment of \$2,376,320 for overstated contributions for fiscal years 1995 to 2000 on reduced death benefits of \$5,000. Had this correction not been made, the Government contributions for 2001-2002 would have been \$1,741,123.

**Public Service death benefit account**

This account was established under the *Public Service Superannuation Act*, to provide life insurance to contributing members of the Public Service.

The account is credited with: (a) contributions by employees; (b) contributions by the Government and Public Service corporations; and, (c) interest. Payments and other charges represent: (a) benefits paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*; and, (b) benefits of \$10,000 paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*, and on whose behalf a single premium for \$10,000 death benefit coverage for life has been made.

**TABLE 6.32**  
**PUBLIC SERVICE DEATH BENEFIT ACCOUNT**

	2002-2003	2001-2002
	\$	\$
Opening balance.....	1,897,231,807	1,799,147,082
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions—		
Employees—		
Government and Public Service corporations .....	58,539,765	53,108,598
Government—		
General.....	6,693,118	6,519,919
Single premium for \$10,000.....	1,152,985	1,150,570
Public Service corporations .....	743,517	749,676
Interest.....	159,239,807	155,511,816
	226,369,192	217,040,579
	2,123,600,999	2,016,187,661
<b>PAYMENTS AND OTHER CHARGES—</b>		
Benefit payments—		
General .....	80,178,959	77,978,543
Life coverage for \$10,000.....	45,028,145	40,746,080
Other death benefit payments .....	116,800	231,231
	125,323,904	118,955,854
Closing balance .....	1,998,277,095	1,897,231,807

**Returned soldiers' insurance fund**

This fund was established by the *Returned Soldiers' Insurance Act*, to provide life insurance to contributing veterans of World War I. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial adjustment as at March 31, 2002 of \$6,739 was charged to the account during the year and was credited to revenues. The final date on which application for this insurance could have been received, was August 31, 1933.

**Veterans insurance fund**

This fund was established by the *Veterans' Insurance Act*, to provide life insurance to contributing veterans of World War II. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 2002 of \$224,717 was credited to the account during the year and was charged to expenditures. The final date on which application for this insurance could have been received, was October 31, 1968.

**Annuities agents' pension account**

This account was established by Vote 181, *Appropriation Act No. 1, 1961*, to provide pension benefits to former eligible Government employees who were engaged in selling Government annuities to the public.

**Dependants' pension fund**

This fund, which pertains to Part IV of the *Royal Canadian Mounted Police Pension Continuation Act*, provides pension benefits to certain widows and other dependants of contributing members of the Royal Canadian Mounted Police. The fund is credited with a 5 percent contribution from the pay of members of the Force (other than commissioned officers) who are subject to the *Pension Continuation Act*. There are no longer any active members amongst the contributors.

**Locally engaged contributory pension account**

This account, which pertains to Part II of the Locally Engaged Pension Regulations, provides pension benefits to locally employed Government employees who contributed to the plan. The account is credited with contributions from locally engaged employees, and charged with the subsequent payment of benefits.

Treasury Board approved the closure of the plan to new entrants effective December 31, 1988. There are now fewer than fifty members contributing to the plan.

## **Net Income Stabilization Account**

This account was established by section 15 of the *Farm Income Protection Act* and the Federal/Provincial Agreement establishing the Net Income Stabilization Account Program, to help participating producers of qualifying agricultural commodities achieve long term improved income stability. The Program allows participants to deposit funds up to predetermined limits into an account held at a participating financial institution, and receive matching contributions from the federal and provincial governments.

For the fiscal year ending March 31, 2003, participant deposits pertained in most part, to the 2001 stabilization year (the period for which a participant filed a 2001 tax return). Participants are entitled to make matchable deposits based on eligible net sales (ENS) which are limited to \$250,000 per individual. For the 2001 stabilization year, the Agreement allowed for base matchable deposits of up to 3 percent of the ENS for most qualifying commodities. Additional participant deposits were allowed by separate agreement between Canada and a province.

Participants are entitled to make additional non-matchable deposits, which are limited to an annual maximum of 20 percent of ENS (carried forward for up to 5 years).

The account records the following transactions relating to the Consolidated Revenue Fund:

- (a) Government matching contributions on participant matchable deposits, for the 2001 stabilization year, with the exception of Alberta, the federal and provincial governments provided base matching contributions equal to two thirds and one third, respectively of participant matchable deposits. The federal Government contributed the full 3 percent for Alberta;
- (b) interest paid by the federal Government on funds held in the Consolidated Revenue Fund, at rates and in accordance with terms and conditions determined by the Minister of Finance;
- (c) interest paid by participating financial institutions on funds held for participants, at rates set by negotiation between the participant and the financial institution;
- (d) bonus interest of 3 percent per annum, split between the federal and provincial governments, except the Province of Alberta, calculated on participant contributions; less,
- (e) withdrawals by participants from funds held in the Consolidated Revenue Fund (participants are entitled to make annual account withdrawals up to the amount allowed by the larger of two triggers: a stabilization trigger and a minimum income trigger).

## **Shared-cost agreements—Canadian Food Inspection Agency**

This account was established to record amounts deposited by external parties for shared-cost research projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

## **Automated Quality Testing—Private sector**

The purpose of the account is to develop new, rapid, automated testing methods to determine the quality of grain and to commercialize them. This project is funded at least 50% from the private sector. The authority comes from Treasury Board minute N°. 827824 as at February 10, 2000.

## **Deposits/Disbursements—Worker's Compensation Board**

This account was established under the authority of the *Canada Customs and Revenue Agency Act* and the *Worker's Compensation Act*, to enable the Canada Customs and Revenue Agency to record and forward on weekly basis, funds received from Nova Scotia employers to the Worker's Compensation Board of Nova Scotia, as part of a partnership arrangement between the Agency and the Board.

## **Miscellaneous projects deposits—Canadian Heritage**

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

## **Advance account—Telefilm Canada (formerly Canadian Film Development Corporation)**

This account was established pursuant to section 19 of the *Canadian Film Development Corporation Act*, to reserve for use in future years moneys generated by projects funded by Telefilm Canada, and which, due to timing, remained unreinvested at year end.

## **National Archives of Canada—Donations**

This account was established pursuant to section 10 of the *National Archives Act*, to record monies received for the purposes of the National Archives, by way of donations, bequest or otherwise. Amounts required for the purposes of the *National Archives Act* may be paid out of this account, or out of money appropriated by Parliament for such purposes.

## **National Library—Special Operating Account**

This account was established pursuant to section 14 of the *National Library Act*, which also directed that (a) the account be credited with all monies received for the purpose of the National Library by way of donation, bequest or otherwise and (b) any amounts required for the purpose of the Act may be paid out of the account or out of money appropriated by Parliament for such purposes.

### Miscellaneous projects deposits—Parks Canada Agency

This account was established to record contributions received from organizations and individuals for various projects.

### Immigrant investor program

This account was established to record the receipt and disbursement of amounts received under the Immigrant Investor Program in accordance with section 12(2) of the *Immigration and Refugee Protection Act* and section 91(d) of the Immigration and Refugee Protection Regulations. This program allows qualified immigrants to gain permanent residence in Canada by making an investment in the Canadian economy.

### Miscellaneous projects deposits—Environment

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

### Common school funds—Ontario and Quebec

This account was established under *12 Victoria 1849*, Chapter 200, to record the proceeds from the sale of lands set apart for the support and maintenance of common schools in Upper and Lower Canada, now Ontario and Quebec. Interest of \$133,889, apportioned on the basis of population, is paid directly to these provinces on a semi-annual basis, at the rate of 5 percent per annum, and is charged to interest on the public debt.

### Foreign claims fund

This account was established by Vote 22a, *Appropriation Act No. 9, 1966*, to record: (a) such part of the money received from the Custodian of Enemy Property, proceeds of the sale of property and the earnings of property, and, (b) all amounts received from governments of other countries pursuant to agreements entered into after April 1, 1966 relating to the settlement of Canadian claims, and also records payment of claims submitted, including payment of the expenses incurred in investigating and reporting on such claims.

### War claims fund—World War II

This account was established by Vote 696, *Appropriation Act No. 4, 1952*, to record moneys received from the Custodian of Enemy Property or from other sources, and payments: (a) to eligible claimants for compensation in respect of World War II; (b) of a supplementary award amounting to 50 percent of the original award (PC 1958-1467, October 23, 1958); and, (c) of expenses incurred in investigating and reporting on claims.

A War Claims Commission was established to enquire into and report on claims made by Canadians arising out of World War II for which compensation may be paid from this or any other fund established for the purpose. The expenses of the Commission are chargeable hereto.

### Federal/provincial cost-sharing agreements

This account was established to record the deposit of monies received from the provinces for cost-shared programs according to official signed agreements.

### Miscellaneous projects deposits—Fisheries and Oceans

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

### Sales of seized assets

The account was established to record the proceeds of the sale of seized items by the Department of Fisheries and Oceans from a person contravening the *Fisheries Act*. Monies so received are held in the Consolidated Revenue Fund pending final resolution of the case by the Minister of Fisheries and Oceans or the courts.

### Canada Foundation account

This account was established by Vote 6g, *Appropriation Act No. 2, 1967*, to record monies received in connection with the Civilian Relief Agreement of 1950, and the Cultural Agreement of 1954 between Canada and Italy, and disbursements for the purposes of the said agreements.

### Financial assistance to Canadians abroad

This account was established to record monies received from families or friends as prepayment for financial assistance to distressed Canadians abroad.

### Funds from non-governmental organizations

This account was established to record monies received as prepayment for services to be performed by the Department of Foreign Affairs and International Trade on behalf of third parties.

### Shared-cost projects—Foreign Affairs and International Trade

This account was established to record monies received from organizations outside the Government of Canada accounting entity for shared-cost projects.

### Shared-cost projects—International conferences

This account was established to record deposits received and payments made in accordance with authorities for shared-cost projects concerning International Conference Agreements.

### Shared-cost agreements—NAFTA Secretariat, Canadian Section

This account was established to record monies received from the United States and the Mexican Section of the NAFTA Secretariat, for the development and administration of common information management systems.

## **Canadian Sports Pool Corporation—Other outstanding liabilities**

This account was established to record moneys received at the dissolution of the Canadian Sports Pool Corporation which are to be used to pay any liabilities of the Corporation.

## **Collaborative research projects**

This account was established to record funds received from client groups for cost shared and joint project research agreements.

## **Miscellaneous federal/provincial projects—Health**

This account was established to record transactions relating to the provinces/territories share of costs incurred under federal/provincial cost-sharing agreements for joint federal/provincial/territorial projects which address health issues which are national in scope.

## **Pan American Health Organization**

This account was established to record funds for a collaborative laboratory and epidemiology strengthening project for the prevention and control of selected enterics pathogens and their antibiotic resistance pattern in the region of the Americas. It also includes a project to strengthen epidemiological and laboratory infrastructure for the diagnosis and surveillance of S. pneumonia in support of vaccine development.

The debit balance in this account is the result of a processing delay and will be cleared in the new fiscal year.

## **World Health Organization**

This account was established to record funds received from the World Health Organization, for scientific projects.

## **Federal/provincial shared-cost project—Human Resources Development**

This account was established to record the deposit of advance payments made by provinces towards the costs of projects and programs for which there is a cost-sharing agreement with the federal Government. Disbursements are made to pay the provinces' share of costs per official agreements or to refund unused amounts.

## **Federal/provincial shared-cost project—Interprovincial Computerized Examination Management System (ICEMS)**

This account was established to record advance payments received from provincial governments to cover their share of the costs of the ICEMS Project. Advance payments are made pursuant to the ICEMS Framework Agreement. The cost incurred are charged to the account and any unexpended funds will be returned to provinces at the end of the project.

## **Labour standards suspense account**

This account was established under the authority of section 23 of the Canada Labour Standards Regulations to record wages received by the Minister of Labour from employers who cannot locate employees. Efforts are then made to locate employees. Wages are paid out when employees are located or when employees contact the department for payment.

## **PanAsia Research and Development Grants Program**

This account was established to record monies being administered on behalf of the International Development Research Centre for various grants to support research and development and research projects in Asia and Pacific region in networking applications, technologies and regulatory issues. The project addresses the region's economic, social and environmental problems.

## **Shared-cost agreements—Canadian Centre for Occupational Health and Safety**

This account represents monies contributed to a joint federal/provincial sponsored inquiries services provided by Canadian Centre for Occupational Health and Safety.

## **Indian special accounts**

Indian special accounts represent a number of non-interest bearing accounts which are maintained for specific purpose and include the following:

- (a) Quebec fur account—This account was established to record moneys received from the sales of pelts trapped on reserves in the Abitibi District in Quebec, to defer charges for Tailmen's wages, freight costs, etc. (Previously reported under "Indian estate accounts")
- (b) Off-reserve housing program—Personal Contributions—This account was established to record personal contributions held in trust until paid to the vendor, builder or legal representative. (Previously reported under "Indian estate accounts")
- (c) Fines—Indian Act—Fines collected as defined in section 104 of the *Indian Act*, are credited to this account for the benefit of the bands or members of the bands. Expenditures may be made per the direction of the Governor in Council to cover certain costs in the administration or promotion of the purpose of the relative law. (Previously shown separately)

## **Indian band funds—Shares and certificates**

This account was established under the *Indian Act*, to record the historical value of Transalta Utilities Ltd shares received as compensation for a power line right-of-way on the Blood Indian reserve. These shares are held in the name of the Receiver General for Canada for the credit of the Blood Indian Band. Any dividends received are credited to the revenue account of the Blood Indian Band.

### Indian compensation funds

This holding account was established to record moneys received from the sales of Indian lands and easement compensation where the title has not been cleared nor the land survey completed.

### Indian moneys suspense account

This account was established to hold moneys received for individual Indians and bands, that cannot be disbursed to an Indian, or credited to an Indian Band Fund or Individual Trust Fund account, pending execution of the related lease, permit or licence, settlement of litigation, registration of the Indian or identification of the recipient.

### Canada/Provinces Business Service Centre

This account was established to record monies received from other provinces under cost-sharing agreements for the Canada-Ontario Business Service Centre.

### Income from securities in trust—Bankruptcy and Insolvency Act

This account was established by sections 78, 84, 154 and 194 of the *Bankruptcy and Insolvency Act*, to record dividends paid on stocks originally held by a bankrupt stockbroker but subsequently sold to clients. As the stocks were not registered in the clients' names, the dividends must be paid to the last registered owner, in this case, the stockbroker. The dividends are forwarded to the Superintendent of Bankruptcy for safekeeping.

### Petro-Canada Enterprises Inc—Unclaimed shares

This account was established by Section 227 of the *Canada Business Corporation Act* to record the liability to shareholders who have not presented their shares for payment.

### Securities in trust—Bankruptcy and Insolvency Act

This account was established by section 67 of the *Bankruptcy and Insolvency Act*, to record the value of securities originally held by a bankrupt stockbroker, on behalf of clients who have not been located.

### Shared-cost agreements—Tourism

This account was established to record amounts deposited by external parties for shared-cost projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

As of January 2, 2001, Canadian Tourism Commission is now a Crown Corporation listed in Part I of Schedule III of the *Financial Administration Act*.

During the year, the account was closed.

### Shared-cost/joint project agreements—Research

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

### Shared-cost projects—Industry

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

### Unclaimed dividends and undistributed assets—Bankruptcy and Insolvency Act

This account represents amounts credited to the Receiver General in accordance with the provisions of section 154 of the *Bankruptcy and Insolvency Act*, pending distribution to creditors.

### Unclaimed dividends and undistributed assets—Canada Business Corporations Act

This account was established in accordance with sections 227 and 228 of the *Canada Business Corporations Act*, for the purpose of recording liabilities to creditors and shareholders who have not been located. The account is charged when funds are paid to them.

### Unclaimed dividends and undistributed assets—Winding-up Act

This account records amounts credited to the Receiver General, in accordance with sections 138 and 139 of the *Winding-up Act*, pending distribution.

### Federal/provincial agreement—Advance account

This account was established to record deposits from non-federal partners for their share of costs under various projects. Monies are disbursed on behalf of contributors as projects are undertaken. Unused funds are to be returned to contributors.

### RadarSat

This account was established to record moneys received for both cost-sharing and advance payments for RadarSat scenes.

### Trust fund—Natural Sciences and Engineering Research Council

This account was established by the *Natural Sciences and Engineering Research Council Act (1978)* to record funds received from other governments and organizations, to cover expenditures made on their behalf, and to record the liability to other organizations.

### **Project deposits—Statistics Canada**

This account was established to record deposits received from outside parties to secure payments for special statistical services.

### **Jobs and economic restoration initiative**

This account was established through a federal-provincial cost-shared program designed to help prevent permanent job loss in flood affected areas and to restore economic activity.

### **Shared-cost agreements—Port of Churchill**

This account was established through a federal-provincial cost-shared program in sharing the dredging costs of the upgrade to the Port of Churchill.

During the year, the account was closed.

### **Federal Court special account**

This account was established to maintain accounts on behalf of litigants before the Court. These accounts record the moneys paid into the Federal Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held pending payment of such moneys, in accordance with a judgment of the Court.

### **Foreign governments**

These accounts were established to record funds received from foreign governments, to cover expenditures to be made on their behalf, in accordance with the provisions of agreements with the Government of Canada.

### **Joint research and development projects—National Defence**

This account was established to record funds received from the private sector through collaborative relationships where the work is shared between the government and the private sector laboratory.

### **Non-government agencies**

This account was established to record funds received for expenditures made on behalf of non-government agencies, for which specific accounts have not been established.

### **North Atlantic Treaty Organization (NATO)—Infrastructure projects**

These accounts were established to record funds received from NATO to cover (a) NATO infrastructure projects implemented by Canada, and, (b) other expenditures to be made on NATO's behalf, in accordance with the terms of an agreement with the Government of Canada.

### **Market development incentive payments—Alberta**

This account records moneys received from the Government of Alberta, to encourage the expansion of natural gas markets in Alberta and provinces to the East, in accordance with an agreement between the Government of Canada and the Government of Alberta dated September 1, 1981 and pursuant to section 39 of the *Energy Administration Act*. The original term of the agreement was from November 1, 1981 to January 31, 1987. As a result of the Western Accord of March 25, 1985, payments from the Government of Alberta terminated as at April 30, 1986, however, payments are being made from the account for selected programs which encourage the use of natural gas for vehicles.

### **Newfoundland Offshore Revenue Account**

This account was established pursuant to section 214 of the *Canada-Newfoundland Atlantic Accord Implementation Act* to facilitate the sharing of certain revenues accruing from oil and gas activities in the Newfoundland offshore area with the Province of Newfoundland. Certain offshore revenues (taxes, royalties and miscellaneous revenues) are credited to this account and subsequent payments to the Province of Newfoundland are charged thereto.

### **Nova Scotia Offshore Revenue Account**

This account was established pursuant to section 219 of the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act* to facilitate the sharing of certain revenues accruing from oil and gas activities in the Nova Scotia offshore area with the Province of Nova Scotia. Certain offshore revenues (taxes, royalties and miscellaneous revenues) are credited to this account and subsequent payments to the Province of Nova Scotia are charged thereto.

### **Shared-cost agreements—Research—Natural Resources**

This account was established to facilitate the retention and disbursement of moneys received from private industries and other governments for joint projects or shared-cost research agreements.

### **Shared-cost projects—Natural Resources**

This account was established to facilitate the retention and disbursement of moneys received from private organizations and other governments for cost-sharing scientific projects.

### **Security equipment purchases**

Funds deposited in this account by licensees are used to provide for payment of purchases of security equipment for the licensees' facilities in accordance with security arrangements mandated pursuant to the *Nuclear Safety and Control Act*.

**Shared-cost projects—Media travel expenses**

This account was established to record money received in advance for services from non-governmental organizations.

**Canadian Centre for Management Development—Donations**

This account was established under the authority provided by section 5(h) of the *Canadian Centre for Management Development Act* in order to account for funds provided to the Canadian Centre for Management Development as a gift to further the objects of the Centre.

**Francophone Summits**

This account was established to record moneys granted since 1994 by the «Agence de la Francophonie (Paris)» for completing projects involving the industrialization of the French language and partner languages as well as the promotion of new French terms in both scientific and technical fields.

**Military purchases excess funds deposit**

This account was established by a written agreement between Canada and the United States, to record temporarily unused funds paid to the United States Government under contracts for purchases of military equipment. The funds are invested by the Federal Reserve Bank of New York to earn interest for the Government of Canada.

**Joint research and development projects—Solicitor General**

This account was established to record funds received to conduct joint research and development projects.

**Joint research and development projects—Royal Canadian Mounted Police**

This account was established to record monies received from other government organizations in order to share costs incurred under various research project agreements.

**Seized assets—Canadian funds**

This account was established to record moneys seized during the course of investigations and drug seizures under the Criminal Code of Canada, the *Narcotic Control Act*, the *Food and Drug Act*, the *Customs Act* and the *Excise Act*. The funds are held pending Court decisions.

**Crown Corporation Trusts—Donations**

This account was established to record, on a temporary basis, (a) donations intended for the development and operations of the Downsview Park, Toronto; and, (b) donations from private sector entities to support the Old Port of Montreal.

**Credit card—Special project fund**

This account was established to record funds received from American Express (AMEX) to improve the Travel Program.

## Deferred Revenue—Specified Purpose Accounts

Deferred revenue specified purpose accounts represent an obligation of the Government of Canada to spend funds received for a specified purpose. Revenue is recognized in the Statement of Revenues, Expenditures and Accumulated Deficit as the funds are used for their specified purpose.

Table 6.33 presents a summary of the balances and transactions of deferred revenue specified purpose accounts.

**TABLE 6.33**

### DEFERRED REVENUE—SPECIFIED PURPOSE ACCOUNTS

	April 1/2002	Receipts and other credits	Payments and other charges	March 31/2003
	\$	\$	\$	\$
<b>Donation and bequest accounts—</b>				
Agriculture and Agri-Food <sup>(1)</sup> —				
Canada/Manitoba partnership				
agreement on municipal water				
infrastructure for rural economic				
diversification.....	223,475		223,475	
Commodity Industry Development Fund—Province.....	2,674		2,674	
Shared-cost agreements—Research.....	29,428,224	26,186,840	32,487,273	23,127,791
	29,654,373	26,186,840	32,713,422	23,127,791
<b>Environment—</b>				
Endangered Species—Donations .....	104,111			104,111
<b>Fisheries and Oceans—</b>				
St-Lawrence Seaway Dredging.....	1,927,228	4,276,288	3,568,400	2,635,116
<b>Foreign Affairs and International Trade—</b>				
Canadian Landmine Action Fund.....	367,071	770	27,122	340,719
<b>Governor General—</b>				
Rideau Hall—Donations .....		4,550		4,550
<b>Health—</b>				
Canadian Institutes of Health Research—				
Donations for research.....	1,378,345	3,517,468	3,969,701	926,112
<b>Human Resources Development—</b>				
Canadian Centre for Occupational Health and Safety—				
Donations.....	87,747	2,130		89,877
<b>Industry—</b>				
Prime Minister Awards.....	1,374,230	541,198	208,593	1,706,835
National Research Council of Canada—				
Trust fund.....	20,221,302	22,267,805	19,761,315	22,727,792
Natural Sciences and Engineering Research Council—				
Trust fund.....	250			250
Social Sciences and Humanities Research Council—				
Trust fund.....	398,607	17,775	10,000	406,382
	21,994,389	22,826,778	19,979,908	24,841,259
<b>National Defence—</b>				
Corporate sponsorships and donations.....	3,407	55,802	47,002	12,207
<b>Privy Council—</b>				
Canadian Centre for Management Development—				
Donations <sup>(2)</sup> .....		13,787		13,787
National Round Table on the Environment and Economy—				
Donations.....		7,500	7,500	
		21,287	7,500	13,787
<b>Solicitor General—</b>				
Royal Canadian Mounted Police—				
Royal Canadian Mounted Police Pipe Band (NCR).....	100	21,002	19,530	1,572
Mounted Police Foundation .....	75,988	708	41,450	35,246
Sponsorship Agreement—Contributions.....	1,580,231	39,174	534,100	1,085,305
	1,656,319	60,884	595,080	1,122,123
<b>Total donation and bequest accounts .....</b>	<b>57,172,990</b>	<b>56,952,797</b>	<b>60,908,135</b>	<b>53,217,652</b>

**TABLE 6.33**DEFERRED REVENUE—SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/2002	Receipts and other credits	Payments and other charges	March 31/2003
	\$	\$	\$	\$
Endowment interest accounts—				
Canadian Heritage—				
Parks Canada Agency—				
Mackenzie King trust account (formerly Laurier House—Interest).....	57,897	12,038	69,935	
Health—				
Endowments for health research.....	5,231	3,537	1,500	7,268
Industry—				
National Research Council of Canada—				
H.L.Holmes Fund .....		51,424		51,424
Social Sciences and Humanities Research Council—				
Queen's Fellowship Fund .....	44,669	7,179		51,848
Total endowment interest accounts .....	107,797	74,178	71,435	110,540
Total deferred revenue specified purpose accounts .....	57,280,787	57,026,975	60,979,570	53,328,192

(1) These accounts were previously reported in Table 6.30.

(2) During the year, the account was transferred from Table 6.30.

**Canada/Manitoba partnership agreement on municipal water infrastructure for rural economic diversification**

This account was established to record advance payments received from the government of Manitoba and participating cities/towns for their share of the costs incurred under various projects. The projects involve making improvements to the water supply and waste treatment and disposal infrastructures of rural communities while preserving environmental quality. Money is paid out of the account as eligible billing costs are received.

During the year, the account was closed.

**Commodity Industry Development Fund—Province**

This account was established to record contributions received from provincial governments equal to a maximum of one-half of the premium contributions made under the National Tripartite Stabilization Program for Beef in respect of sales in its final year of operation, net of their contributions under the Net Income Stabilization Account Bridge Program. This account earns interest at the rate established by the Minister of Finance. Funds in the account are to be used for programs, projects and activities which include, but are not exclusive to research, technology transfer, promotion and market development but may not be used for direct support to producers or processors.

During the year, the account was closed.

**Shared-cost agreements—Research—Agriculture and Agri-Food**

This account was established to record amounts deposited by external parties for shared-cost research projects. Money is disbursed on behalf of depositors as specific projects are undertaken.

**Endangered Species—Donations**

This account was established to record donations, gifts or bequests received from individuals and organizations to finance various studies related to endangered species.

**St-Lawrence Seaway Dredging**

This account was established to record monies received for the maintenance dredging services tonnage fees. Monies so received are used to pay for the dredging of the St-Lawrence Ship Channel between Montreal and Cap Grisne.

**Canadian Landmine Action Fund**

This account was established to record monies received from the public to support Canadian Mine Action Programs pursuant to the Ottawa Convention agreement which bans the production, use, stockpiling and export of anti-personnel mines.

**Rideau Hall Donations**

This account was established to record gifts, donations or bequests to Rideau Hall from private organizations and individuals to fund specific initiatives.

## **Canadian Institutes of Health Research—Donations for Research**

This account, continued in the accounts of Canada pursuant to section 29 of the *Canadian Institutes of Health Research Act*, records donations and contributions received from organizations and individuals for biomedical research.

## **Canadian Centre for Occupational Health and Safety—Donations**

This account was established pursuant to subsection 6(3) of the *Canadian Centre for Occupational Health and Safety Act*, to record monies, securities or other property received by way of gift, bequest or otherwise, and to disburse such donations at the discretion of the Centre.

## **Prime Ministers Awards**

This account was established to record amounts deposited by external parties to be used in support of the Prime Minister's Awards for teaching excellence.

## **Trust fund—National Research Council of Canada**

This account was established by the *National Research Council Act* to record funds received from other governments and organizations outside the accounting entity to cover expenditures made on their behalf.

## **Trust fund—Natural Sciences and Engineering Research Council**

This account was established by the *Natural Sciences and Engineering Research Council Act (1978)* to record funds received from other governments and organizations, to cover expenditures made on their behalf, and to record the liability to other organizations.

## **Trust fund—Social Sciences and Humanities Research Council**

This account was established to record receipts and disbursements of funds available for social sciences and humanities research activities. The account is also used to record receipts of private donations and disbursements for the purpose of special projects.

## **Corporate sponsorships and donations**

This account was established by National Defence to administer funds received from various private companies, not for profit corporations, associations, other levels of government, or individuals for the purpose of holding events consistent with the Department's mandate but not funded from its appropriations. The funds received will be used to defray the events' associated expenditures in accordance with Treasury Board policy.

## **Canadian Centre for Management Development—Donations**

This account was established under the authority provided by section 5(h) of the *Canadian Centre for Management Development Act* in order to account for funds provided to the Canadian Centre for Management Development as a gift to further the objects of the Centre.

## **National Round Table on the Environment and Economy—Donations**

This account was established to record payments, grants and donations received from third parties, and expenses associated with National Round Table on the Environment and Economy programs and activities.

## **Royal Canadian Mounted Police Pipe Band (NCR)**

This account was established to administer sponsorship funds to support the Royal Canadian Mounted Police Pipe Band.

## **Mounted Police Foundation**

This account was established to record funds received from the Mounted Police Foundation which will be used to cover expenditures related to community policing, educational, promotional and public relations projects throughout Canada.

## **Sponsorship Agreement—Contributions**

This account was established to record funds contributed to the Royal Canadian Mounted Police pursuant to sponsorship agreements for use in community policing programs.

## **Mackenzie King trust account (formerly Laurier House—Interest)**

The late The Right Hon W L Mackenzie King bequeathed Laurier House, Ottawa, and the sum of \$225,000, to the Government of Canada. The amount of \$225,000 was credited to the account and earns interest, in accordance with the terms of section 3 of the *Laurier House Act*. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research.

## **Endowments for health research**

This account was established by section 29 of the *Canadian Institutes of Health Research Act*, to record various endowments received from donors for the purpose of health research. The interest received is used for the payment of research grants.

**H. L. Holmes Fund**

This account was established pursuant to paragraph 5(1)(f) of the *National Research Council Act* to record the residue of the estate of H. L. Holmes. Up to two thirds of the yearly net income from the fund shall be used to finance the H. L. Holmes Award on an annual basis. These awards will provide the opportunity to post-doctoral students to study at world famous graduate schools or research institutes under outstanding research persons.

**Queen's Fellowship fund—Social Sciences and Humanities Research Council**

This fund is an endowment of \$250,000 that was established by Vote 45a, *Appropriation Act No. 5, 1973-74*. The interest earned is used for the payment of fellowships to graduate students in certain fields of Canadian studies.

**Obligations related to capital leases**

A capital lease is a lease that transfers substantially all the benefits and risks inherent to ownership of the asset to the lessee.

Table 6.34 presents obligations related to capital lease agreements by asset type.

**TABLE 6.34**  
**OBLIGATIONS RELATED TO CAPITAL LEASES**

	April 1/2002	Receipts and other credits	Payments and other charges	March 31/2003
	\$	\$	\$	\$
Land .....	11,783,815		252,906	11,530,909
Buildings .....	1,078,634,051	30,643,438		1,109,277,489
Works and infrastructure .....	752,726,336		31,358,970	721,367,366
Machinery and equipment .....	15,582,105	6,736,214	937,629	21,380,690
Vehicles .....	760,389,409	63,000,200	23,625,179	799,764,430
Total .....	2,619,115,718	100,379,852	56,174,684	2,663,320,886

## Capital Leases

Table 6.35 provides details of obligations under capital lease arrangements.

**TABLE 6.35**

**DETAILS OF OBLIGATIONS RELATED TO CAPITAL LEASES<sup>(1)</sup>**  
(In thousands of dollars)

	Inception date	Lease term in years	Implicit interest rate (%)	Balances at March 31, 2003		
				Total estimated remaining minimum lease payments	Less: imputed interest using the implicit interest rate	Net obligations under capital lease arrangements
Canada Customs and Revenue Agency—						
Amdahl Canada Ltd.....	Various	Various	1.68 <sup>(2)</sup>	544	9	535
IBM Canada Ltd.....	Various	Various	4.43 <sup>(2)</sup>	2,544	108	2,436
StorageTek Canada Inc.....	Various	Various	7.34 <sup>(2)</sup>	3,216	220	2,996
				6,304	337	5,967
Environment—						
National Wildlife Research Centre, Carleton University, Ottawa .....	May 1/2002	25	6.5 <sup>(2)</sup>	48,000	22,460	25,540
Human Resources Development						
Canon Canada.....	May 4/2001	5	15 <sup>(2)</sup>	565	90	475
Sprint Canada Inc.....	Jan 1/2002	5	6 <sup>(2)</sup>	10,378	170	10,208
Leases less than \$1,000,000.....		5	3 <sup>(2)</sup>	11	1	10
				10,954	261	10,693
National Defence—						
Edmonton Armoury North.....	Dec 31/2000	20	5.62 <sup>(2)</sup>	24,904	9,152	15,752
Edmonton Armoury South.....	May 1/99	20	6.09 <sup>(2)</sup>	35,322	14,609	20,713
HMCS Windsor Submarine.....	Aug/2002	6	0.00 <sup>(2)</sup>	57,857		57,857
HMCS Corner Brook.....	Feb/2003	6	0.00 <sup>(2)</sup>	78,429		78,429
Longue Pointe Supply Depot.....	Nov 30/94	35	8.26 <sup>(2)</sup>	97,969	58,354	39,615
Shawinigan Armoury.....	May 12/99	20	5.46 <sup>(2)</sup>	8,993	3,021	5,972
Hitachi System Processor (DES).....	Nov/2000	3	5.41 <sup>(2)</sup>	489	8	481
Milit-Air (NFTC).....	Dec/99	20	5.78 <sup>(2)</sup>	1,037,958	374,509	663,449
				1,341,921	459,653	882,268
Public Works and Government Services—						
Guy Favreau Building, Montreal.....	Jan 1/94	25	8.7 <sup>(2)</sup>	154,469	78,904	75,565
C.D. Howe, 240 Sparks St, Ottawa.....	Sept 1/77	35	9.2 <sup>(2)</sup>	57,442	19,089	38,353
L'Esplanade Laurier, Ottawa.....	Oct 1/2000	10	6.9 <sup>(2)</sup>	56,091	15,255	40,836
Place du Centre, Gatineau.....	Feb 17/78	30	11.2 <sup>(2)</sup>	20,282	5,692	14,590
Terrasses de la Chaudière, Gatineau.....	Jan 1/93	20	10.0 <sup>(2)</sup>	211,032	92,773	118,259
Government of Canada Building, Cornwall.....	Dec 1/94	25	9.8 <sup>(2)</sup>	16,514	8,385	8,129
Judy Lamarche, Chatham (GOCB).....	June 1/95	25	8.7 <sup>(2)</sup>	8,042	3,873	4,169
Place Vincent Massey, Gatineau.....	Aug 1/2001	10	6.25 <sup>(2)</sup>	18,358	4,055	14,303
Journal Towers, Ottawa.....	Sept 1/92	12	19.2 <sup>(2)</sup>	22,322	3,495	18,827
Louis Saint-Laurent, Gatineau.....	Nov 1/96	15	6.4 <sup>(2)</sup>	98,487	35,955	62,532
Library Square (Block 56), Vancouver.....	May 1/95	25	9.7 <sup>(2)</sup>	113,893	58,279	55,614
OACI, Montreal.....	Nov 1/96	20	9.9 <sup>(2)</sup>	174,988	85,875	89,113
Sir Wilfred Laurier, Ottawa.....	Mar 1/2001	10	17.0 <sup>(2)</sup>	37,886	17,135	20,751
Archives St-Augustin des Desmaures, Montreal.....	Oct 1/99	15	14.6 <sup>(2)</sup>	12,125	6,266	5,859
Cour fédérale, Montreal.....	Feb 9/94	20	23.56 <sup>(2)</sup>	18,533	11,845	6,688
Bank of Canada, Ottawa.....	Sept 1/2002	10	6.0 <sup>(2)</sup>	15,158	3,599	11,559
Boyd Warehouse, Complex No 2, Ottawa.....	Apr 1/2002	10	31.3 <sup>(2)</sup>	3,920	2,616	1,304
Labelle, Ottawa.....	Apr 1/2002	10	5.56 <sup>(2)</sup>	8,818	1,900	6,918
McArthur, Ottawa.....	Apr 1/2002	10	23.5 <sup>(2)</sup>	4,056	2,430	1,626
Montcalm Phase II.....	Apr 1/2002	10	22.7 <sup>(2)</sup>	8,340	4,794	3,546
Queensway Corporate Campus, Ottawa.....	Apr 1/2002	9	16.9 <sup>(2)</sup>	7,333	3,326	4,007
Urbandale Building, Ottawa.....	June 1/2002	10	4.4 <sup>(2)</sup>	4,846	864	3,982
Leases less than \$1,000,000.....	Various	Various	17.9 <sup>(2)</sup>	711	108	603
				1,073,646	466,513	607,133

**TABLE 6.35**
**DETAILS OF OBLIGATIONS RELATED TO CAPITAL LEASES<sup>(1)</sup>—Concluded**  
 (In thousands of dollars)

					Balances at March 31, 2003	
	Inception date	Lease term in years	Implicit interest rate (%)	Total estimated remaining minimum lease payments	Less: imputed interest using the implicit interest rate	Net obligations under capital lease arrangements
Transport—						
Confederation Bridge.....	May 31/1997	35	6.16 <sup>(2)</sup>	1,798,954	1,077,587	721,367
Other departments—						
Leases less than \$1,000,000 .....			8.63 <sup>(2)</sup>	11,112	933	10,179
				4,290,891	2,027,744	2,263,147
Consolidated Crown corporations—						
Canadian Broadcasting Corporation—						
Canadian Broadcasting Centre, 250 Front St. W., Toronto .....	Oct 14/88	30	7.53 <sup>(2)</sup>	809,451	442,425	367,026
Canadian Museum of Nature—						
National Heritage Building Aylmer, Quebec .....	Sept 30/96	35	9.88 <sup>(2)</sup>	99,750	66,607	33,143
Other consolidated Crown corporations—						
Leases less than \$1,000,000 .....				5	5	5
Total .....				909,206	509,032	400,174
				5,200,097	2,536,776	2,663,321

<sup>(1)</sup> This table was previously reported in Section 10, Table 10.4 of this volume.

<sup>(2)</sup> Lessors'/Lessees' financing rate lease agreement is subject to change over term of lease.

Table 6.36 presents upcoming minimum leases payments for the next five years by ministry.

**TABLE 6.36**
**MATURITY OF OBLIGATIONS RELATED TO CAPITAL LEASES<sup>(1)</sup>**  
 (in thousands of dollars)

	Payments due in						2009 and subsequent years	Total
	2004	2005	2006	2007	2008			
<b>Canada Customs and Revenue Agency—</b>								
Remaining payments .....	3,232	2,594	478					6,304
Imputed interest .....	236	97	4					337
	<b>2,996</b>	<b>2,497</b>	<b>474</b>					<b>5,967</b>
<b>Environment Canada—</b>								
Remaining payments .....	2,000	2,000	2,000	2,000	2,000		38,000	48,000
Imputed interest .....		122	237	344	445		21,312	22,460
	<b>2,000</b>	<b>1,878</b>	<b>1,763</b>	<b>1,656</b>	<b>1,555</b>		<b>16,688</b>	<b>25,540</b>
<b>Human Resources Development—</b>								
Remaining payments .....	1,736	1,572	1,539	6,107				10,954
Imputed interest .....	108	74	52	27				261
	<b>1,628</b>	<b>1,498</b>	<b>1,487</b>	<b>6,080</b>				<b>10,693</b>
<b>National Defence—</b>								
Remaining payments .....	101,605	101,116	101,116	97,261	85,688	855,135		1,341,921
Imputed interest .....	43,675	42,095	40,431	38,668	36,802	257,982		459,653
	<b>57,930</b>	<b>59,021</b>	<b>60,685</b>	<b>58,593</b>	<b>48,886</b>		<b>597,153</b>	<b>882,268</b>
<b>Public Works and Government Services—</b>								
Remaining payments .....	92,110	88,477	78,850	78,850	84,099	651,260		1,073,646
Imputed interest .....	57,838	53,441	50,120	47,226	43,832	214,056		466,513
	<b>34,272</b>	<b>35,036</b>	<b>28,730</b>	<b>31,624</b>	<b>40,267</b>		<b>437,204</b>	<b>607,133</b>
<b>Transport—</b>								
Remaining payments .....	51,147	50,246	51,005	51,776	52,558	1,542,222		1,798,954
Imputed interest .....	38,815	37,352	37,524	37,681	37,822	888,393		1,077,587
	<b>12,332</b>	<b>12,894</b>	<b>13,481</b>	<b>14,095</b>	<b>14,736</b>		<b>653,829</b>	<b>721,367</b>
<b>Other departments—</b>								
Leases less than \$1,000,000—								
Remaining payments .....	1,194	858	703	569	486	7,302		11,112
Imputed interest .....	141	96	60	36	16	584		933
	<b>1,053</b>	<b>762</b>	<b>643</b>	<b>533</b>	<b>470</b>		<b>6,718</b>	<b>10,179</b>
	<b>74,311</b>	<b>75,174</b>	<b>75,283</b>	<b>73,221</b>	<b>64,092</b>		<b>1,257,700</b>	<b>1,619,781</b>
<b>Consolidated Crown corporation—</b>								
Canadian Broadcasting Corporation—								
Remaining payments .....	33,039	33,039	33,039	33,039	33,039	644,256		809,451
Imputed interest .....	27,363	26,940	26,485	25,996	25,470	310,171		442,425
	<b>5,676</b>	<b>6,099</b>	<b>6,554</b>	<b>7,043</b>	<b>7,569</b>		<b>334,085</b>	<b>367,026</b>
Canadian Museum of Nature—								
Remaining payments .....	3,500	3,500	3,500	3,500	3,500	82,250		99,750
Imputed interest .....	3,281	3,259	3,233	3,205	3,180	50,449		66,607
	<b>219</b>	<b>241</b>	<b>267</b>	<b>295</b>	<b>320</b>		<b>31,801</b>	<b>33,143</b>
<b>Other consolidated Crown corporations—</b>								
Leases less than \$1,000,000—								
Remaining payments .....	4	1						5
Imputed interest .....								
	<b>4</b>	<b>1</b>						<b>5</b>
<b>Summary—</b>								
Remaining payments .....	289,567	283,403	272,230	273,102	261,370	3,820,425		5,200,097
Imputed interest .....	171,457	163,476	158,146	153,183	147,567	1,742,947		2,536,776
	<b>118,110</b>	<b>119,927</b>	<b>114,084</b>	<b>119,919</b>	<b>113,803</b>		<b>2,077,478</b>	<b>2,663,321</b>

<sup>(1)</sup> This table was previously reported in Section 10, Table 10.5 of this volume.

## SUPPLEMENTARY STATEMENTS

### Canada Pension Plan

#### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canada Pension Plan have been prepared by management of Human Resources Development Canada in accordance with the Canadian generally accepted accounting principles.

Management is responsible for the integrity and objectivity of the data in these financial statements, including the amounts which must, of necessity, be based on best estimates and judgements. The financial information presented throughout the *Annual Report* is consistent with the financial statements.

In support of its responsibility, management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of the financial information, and to ensure that the transactions are in accordance with the *Canada Pension Plan* and regulations, as well as the *Financial Administration Act* and regulations.

The Auditor General of Canada, the external auditor of the Canada Pension Plan, has conducted an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards and has reported to the Minister of Human Resources Development Canada.

JANET MILNE  
*Assistant Deputy Minister*  
*Financial and Administrative Services*

MARYANTONETT FLUMIAN  
*Associate Deputy Minister*

October 1<sup>st</sup>, 2003

#### AUDITOR'S REPORT

#### TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT CANADA

I have audited the statement of net assets of the Canada Pension Plan as at March 31, 2003 and the statements of changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the management of Human Resources Development Canada. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Canada Pension Plan as at March 31, 2003 and the changes in its net assets and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
October 1<sup>st</sup>, 2003

**Canada Pension Plan—Continued****CANADA PENSION PLAN****STATEMENT OF NET ASSETS**

AS AT MARCH 31

(in millions of dollars)

	2003	2002	Restated (Note 4)
<b>Assets</b>			
<b>Investments</b>			
CPP Investment Fund—at cost (Note 5)			
Provincial and territorial bonds.....	23,204	24,890	
Canada bonds.....	3,369	3,386	
CPP Investment Board—at fair value (Note 6).....	17,453	14,289	
<b>Cash</b>			
Deposit with Receiver General for Canada .....	7,093	6,770	
<b>Receivables</b>			
Contributions .....	1,631	1,378	
Accrued interest.....	939	1,030	
Régime des rentes du Québec .....	66	25	
Beneficiaries (Note 7).....	49	43	
	<b>53,804</b>	<b>51,811</b>	
<b>Liabilities</b>			
Accounts payable.....	74	47	
Accrued pensions and benefits .....	55	51	
CPP Investment Board's liabilities, net of its other assets .....	2	4	
	<b>131</b>	<b>102</b>	
<b>Net assets</b> .....	<b>53,673</b>	<b>51,709</b>	
Net assets, represented by:			
Canada Pension Plan Investment Fund.....	26,573	28,276	
Accumulated transfers to Canada Pension Plan Investment Board.....	21,690	14,372	
Accumulated net loss from Investment Board's operations .....	(4,239)	(87)	
Canada Pension Plan Account (Note 8).....	7,093	6,770	
CPP receivables, net of liabilities .....	2,556	2,378	
Net assets .....	<b>53,673</b>	<b>51,709</b>	

The accompanying notes are an integral part of these financial statements.

Approved by Human Resources Development Canada:

JANET MILNE

*Assistant Deputy Minister**Financial and Administrative Services*

MARYANTONETT FLUMIAN

*Associate Deputy Minister*

**Canada Pension Plan—Continued****CANADA PENSION PLAN****STATEMENT OF CHANGES IN NET ASSETS**

FOR THE YEAR ENDED MARCH 31

(in millions of dollars)

	2003	2002
Net assets, beginning of year .....	51,709	46,014
Increase in assets		Restated (Note 4)
Contributions (Note 9) .....	25,203	22,991
Investment income/(loss) (Note 10) .....	(1,242)	3,565
	23,961	26,556
Decrease in assets		
Pensions and benefits		
Retirement .....	15,071	14,270
Survivors .....	3,071	2,933
Disability .....	2,779	2,641
Disabled contributor's child .....	251	242
Death .....	234	227
Orphan .....	210	205
Net overpayments .....	(41)	(28)
Administration costs (Note 11) .....	21,575	20,490
	422	371
Increase in net assets .....	21,997	20,861
Net assets, end of year .....	1,964	5,695
	53,673	51,709

The accompanying notes are an integral part of these financial statements.

**Canada Pension Plan—Continued****CANADA PENSION PLAN****STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED MARCH 31  
(in millions of dollars)**

	2003	2002
<b>Cash flow provided by operating activities</b>		
Cash receipts:		
Contributions .....	24,950	23,354
Interest from CPP Investment Fund .....	2,839	3,166
Interest on deposit with Receiver General for Canada.....	163	202
Recoveries from Régime des Rentes du Québec .....	192	214
Recoveries from beneficiaries .....	37	32
	<hr/>	<hr/>
	28,181	26,968
<b>Cash Payments:</b>		
Pensions and benefits .....	(21,613)	(20,516)
Repayments to Régime des Rentes du Québec .....	(235)	(217)
Administration costs .....	(395)	(375)
	<hr/>	<hr/>
	(22,243)	(21,108)
	<hr/>	<hr/>
	5,938	5,860
<b>Cash flow from (Used in) investing activities</b>		
Transfers to CPP Investment Board .....	(7,318)	(6,826)
Disposals of bonds - CPP Investment Fund .....	2,383	2,369
Reinvestments in bonds - CPP Investment Fund.....	(680)	(1,053)
	<hr/>	<hr/>
	(5,615)	(5,510)
	<hr/>	<hr/>
Net increase of the deposit with Receiver General for Canada.....	323	350
<b>Deposit with Receiver General for Canada, beginning of year.....</b>	<hr/>	<hr/>
	6,770	6,420
<b>Deposit with Receiver General for Canada, end of year.....</b>	<hr/>	<hr/>
	7,093	6,770

The accompanying notes are an integral part of these financial statements.

**Canada Pension Plan—Continued**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2003

## 1. Description of the Canada Pension Plan

## (a) Description of the CPP

The Canada Pension Plan (CPP) is a federal/provincial plan established by an act of Parliament in 1965.

The CPP began operations in 1966. It is a compulsory and contributory social insurance program operating in all parts of Canada, except Quebec, which operates the Régime des rentes du Québec, a comparable program. The Plan's objective is to provide a measure of protection to workers and their families against the loss of earnings due to retirement, disability or death.

The Minister of Human Resources Development Canada is responsible for the administration of the *Canada Pension Plan* (the *CPP Act*); the Minister of National Revenue is responsible for collecting contributions. The Minister of Finance and his provincial counterparts are responsible for setting CPP contribution rates, pension and benefit levels and funding policy.

The financial activities of the Canada Pension Plan are recorded in the CPP Account (Note 8). The CPP Investment Fund (Note 5) holds the bond portfolio of the Plan, and the Plan's investments in capital markets are managed by the CPP Investment Board (Note 6). The financial transactions affecting the Account and the Investment Fund are governed by the *CPP Act* and regulations. The Investment Board's transactions are governed by the *Canada Pension Plan Investment Board Act* and the accompanying regulations.

As stated in the *CPP Act*, changes to this Act require the approval of at least two-thirds of the provinces having, in the aggregate, not less than two-thirds of the population of all included provinces.

## (b) Financing

CPP is financed by contributions and investment returns.

Employers and employees pay contributions equally to CPP. Self-employed workers pay the full amount.

CPP was designed initially to be financed on a pay-as-you-go basis, which means that the Plan would operate on a current basis with pensions and benefits being paid out of current contributions. With changes made to the Act in 1997, CPP is now intended to be funded on a "steady-state" basis - that is, combined contributions increased to 9.9 percent of pensionable earnings by 2003 and are then expected to level off.

From 1966 to 1986, the combined employer-employee contribution rate remained at 3.6 percent of pension-

able earnings. In 1987, it was raised to 3.8 percent and increased yearly by 0.2 percent to reach 5.6 percent in 1996. In the years 1997 to 2002, the combined contribution rate was increased annually to reach 9.9 percent in 2003. The maximum combined contribution for 2003 was \$3,604 (2002 - \$3,346).

The *CPP Act* provides that an actuarial report shall be prepared every three years for purposes of the review of the financial state of the CPP by the Minister of Finance and his provincial counterparts. The *Eighteenth Actuarial Report of the Chief Actuary of the Office of the Superintendent of Financial Institutions* done as at December 31, 2000 was presented to the Minister of Finance in December 2001, then tabled in the House of Commons on December 10, 2001. Based on this report, federal and provincial ministers of Finance concluded at the end of the 2002 Triennial Review process that the CPP is financially sound and that the 9.9 percent combined employee-employer contribution rate reached in 2003 is expected to be sufficient to sustain the Plan in the face of an aging population. A number of assumptions such as long term rate of return on assets, inflation rate, mortality rates, increase in salary and benefit rates, among other things, were used in the 18th CPP actuarial report. These assumptions reflect best estimates of future economic and demographic events. The next actuarial report as at December 31, 2003 is expected to be completed by December 2004.

## (c) Net assets of the Plan

The net assets of the Plan are composed of the deposit with the Receiver General for Canada, short term investments and long term investments in bonds held in the CPP Investment Fund and investments managed by the CPP Investment Board. The net assets represent funds accumulated for the payment of pensions, benefits and administration costs. This amount does not cover the actuarial present value of accrued pensions and benefits. As at March 31, 2003, the net assets of the Plan are of \$53.7 billion (2002 - \$51.7 billion). This amount represents approximately 2.5 times the total of pensions and benefits for the year 2002-2003.

## (d) Pensions and benefits

**Retirement pensions**—A retirement pension is payable to each contributor at age 60 or older, according to the provisions of the Act. The monthly amount is equal to 25 percent of the contributor's average monthly pensionable earnings during the pensionable period. The amount may be reduced or increased depending upon whether the contributor applies for a retirement pension before or after age 65. This adjustment cannot exceed 30 percent. The maximum new monthly pension payable at age 65 in 2003 is \$801.25 (2002 - \$788.75).

**Canada Pension Plan —Continued****NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2003—Continued**

**Disability benefits**—A disability benefit is payable to a contributor who is disabled, according to the provisions of the Act. The amount of the disability benefit to be paid includes a flat-rate portion and an amount equal to 75 percent of the earned retirement pension. The maximum new monthly disability benefit in 2003 is \$971.26 (2002 - \$956.05).

**Survivor's benefits**—A survivor's benefit is payable to the spouse or common-law partner (the beneficiary) of a deceased contributor, according to the provisions of the Act. For a beneficiary under the age of 65, the benefit consists of a flat-rate portion and an amount equal to 37.5 percent of the deceased contributor's earned retirement pension. A beneficiary between the ages of 35 and 45 who is not disabled or who has no dependent children receives reduced benefits. For beneficiaries aged 65 and over, the benefit is equal to 60 percent of the retirement pension granted to the deceased contributor. The maximum new monthly benefit payable to a beneficiary in 2003 is \$480.75 (2002 - \$473.25).

**Disabled contributor's child and orphan benefits**—According to the provisions of the Act, each child of a contributor who is receiving disability benefits or who died is entitled to a benefit as long as the child is under the age of 18, or is between the ages of 18 and 25 and attending school full-time. The flat-rate monthly benefit in 2003 is \$186.71 (2002 - \$183.77).

**Death benefits**—According to the provisions of the Act, a death benefit is a one-time payment to, or on behalf of, the estate of a contributor. The benefit amounts either to 10 percent of the maximum pensionable earnings in the year of death or six times the monthly retirement pension granted to the deceased contributor, whichever is less. The maximum death benefit in 2003 is \$2,500 (2002 - \$2,500).

**Pensions and benefits indexation**—As required by the Act, pensions and benefits are indexed annually based on the Consumer Price Index for Canada. The rate of indexation for 2003 is 1.6 percent (2002 - 3.0 percent).

**2. Significant accounting policies****(a) Basis of presentation**

These financial statements present the financial position, the changes in net assets and the cash flows of the Canada Pension Plan. They include the financial position of the CPP Investment Board and the results of its operations. These financial statements are prepared in accordance with Canadian generally accepted accounting principles and conform to the disclosure and accounting requirements of the *CPP Act*.

The financial statements do not provide information on the actuarial estimates required to meet future obliga-

tions of the CPP since the CPP Act does not require that the pensions and benefits be pre-funded.

The CPP, which is under joint control of the Government of Canada and participating provinces, is not considered to be part of the reporting entity of the Government of Canada. Accordingly, its financial activities are not consolidated with those of the Government.

**(b) Valuation of investments**

Bonds are shown at cost, which is equal to the face value of the bonds at the time of purchase. This accounting policy has been selected based on the non-marketable, non-transferable nature of the bonds and on consideration of the likelihood of redemption of the provincial and territorial bonds in the foreseeable future. The bonds issued by the provincial and territorial governments are redeemable prior to maturity at market value equivalent at the option of these governments. In the event that the federal Minister of Finance considers the redemption necessary to pay pensions, benefits and administration costs, the bonds would then be redeemed at face value.

CPP Investment Board's investments are stated at fair value. Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Quoted market prices for publicly traded equities and unit values for pooled funds are used to represent fair value for the investments. Unit values reflect the quoted market prices of the underlying securities.

In the case of private equity investments, where quoted market prices are not available, fair value is determined annually, commencing after the first year of ownership, based on carrying values and other relevant information reported by external managers of the limited partnerships in which the investments are made. These carrying values are determined by the external managers using accepted industry valuation methods.

The fair value of private market investments in income producing properties is determined annually, commencing after the first year of ownership, using accepted industry valuation methods, such as discounted cash flows and comparable purchase and sales transactions.

Fair value for the over-the-counter derivatives such as swaps is determined based on discounted cash flows and market prices for underlying assets with similar characteristics.

Money market securities are recorded at cost which, together with accrued interest income, approximates fair value.

**Canada Pension Plan —Continued**

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2003—*Continued*

(c) Contributions to the Plan include CPP contributions for pensionable income earned and collected by the Canada Customs and Revenue Agency (CCRA) for the year and receivable at year-end. Contributions collected by the CCRA are measured from amounts assessed by the CCRA and from estimates of amounts not assessed based on cash received and are subject to review and adjustments. Adjustments, if any, are recorded as contribution revenue in the year they are known.

## (d) Investment income recognition

Interest income is recorded in the year in which it is earned.

CPP Investment Board's net income from operations represents the Investment Board's investment income, less investment and administrative expenses. Investment income is recorded on the accrual basis and includes realized gains and losses on disposal or transfer of investments, unrealized gains and losses on investments held at the end of the year, dividend income (recognized on ex-dividend date), interest income, distributions from mutual and pooled funds, and net operating income from private market real estate investments.

Realized gains and losses on investments sold during the year represent the difference between sale proceeds and cost, less related costs of disposition. Unrealized gains and losses represent the change year-over-year in the difference between fair value and cost of investments.

## (e) Translation of foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction date. Investments denominated in foreign currencies and held at the year end are translated at exchange rates in effect at the year end date. The resulting realized and unrealized gains and losses are included in investment income.

## (f) Pensions and benefits are recorded when payable.

(g) Net overpayments are composed of overpayments of pensions and benefits that were established during the year less remissions of debts granted.

(h) Administration costs are recorded in the year to which they relate.

## (i) Measurement uncertainty

The preparation of financial statements in accordance with the Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and revenue and expenses for the year. Actual results could differ from these estimates. The most significant estimates are related to contributions, administration costs, allowance for doubtful accounts and the fair value of the bonds held by the CPP Investment Fund.

## 3. Change in basis of accounting

During the year, the CPP adopted the Canadian generally accepted accounting principles as the basis of presentation of its financial statements. This change resulted in the addition of a statement of cash flow to the existing set of financial statements.

## 4. Change in accounting policy

During the year, the methodology used to measure contributions was changed to conform with the new assessment-based methodology developed by the Government of Canada for determining tax revenues, CPP contributions and Employment Insurance premiums. The new methodology is further described in Note 9.

Prior to 2002-2003, contributions were measured using an economic/statistical methodology developed by the Department of Finance including many factors such as the growth in the number of contributors and the average pensionable earnings.

This change in accounting policy has been applied retroactively and the 2001-2002 financial statements have been restated accordingly. The effect of the change for contributions on the current year and previous year's results is presented below:

	Increase (Decrease)	
Year ended and as at March 31	2003	2002
(in millions of dollars)		
Statement of changes in net assets		
Contributions.....	160	(542)
Net assets.....	160	(542)
Net assets, beginning of year .....	(216)	326
Net assets, end of year.....	(56)	(216)
Statement of net assets		
Contribution receivables .....	(56)	(216)

**Canada Pension Plan —Continued**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2003—*Continued*

**5. Investments held by the CPP Investment Fund**

The Canada Pension Plan Investment Fund was established in the accounts of Canada by the *CPP Act* to record the Plan's investments in bonds of the provinces, territories and Canada. The CPP Investment Fund's bond portfolio is administered by the federal Department of Finance.

Until the end of 1997, the investments in provincial, territorial and federal government bonds were made with the cash on hand in excess of the Plan's forecast three-month operating requirement. These bonds were not marketable and had a 20-year term (or less) as fixed by the Minister of Finance on the recommendation of the Chief Actuary of the Office of the Superintendent of Financial Institutions. The interest rate on the bonds was determined by the Minister of Finance based on the average yield to maturity of all outstanding Government of Canada obligations with terms of 20 years or more. When these bonds matured, funds not required for payment of pensions and benefits were re-invested in new bonds.

Beginning in 1998, a maturing provincial or territorial bond may be re-invested in a new bond only once for a term of 20 years, if both the issuer asks to do so and the operating balance is sufficient to pay current pensions and benefits. Excess funds not re-invested are transferred to the CPP Investment Board.

The re-invested bonds remain not marketable and bear interest at a rate fixed by the Minister of Finance. The interest rate is substantially the same rate that the province

would pay if it were to borrow the same amount for the same term through the issuance of a bond on the public capital markets. Interest earned on the investments is paid semi-annually to the CPP Account.

During the year, all disposals of bonds were made, at maturity date, at face value. The bonds are redeemable in whole or in part before maturity. Since January 31, 2001, the provinces and territories are permitted to redeem their bonds held by the CPP Investment Fund prior to their maturity at a value equivalent to market value. The bonds can also be redeemed at the option of the federal Minister of Finance where he considers the redemption necessary to pay pensions, benefits and administration costs. The bonds are then redeemed at face value. No bonds were redeemed by the provinces and the territories prior to maturity during the year ended March 31, 2003.

At March 31, 2003, the balance in the Investment Fund was \$26.6 billion at cost (2002 - \$28.3 billion). The estimated fair value of the balance in the Investment Fund, including accrued interest, is \$32.6 billion (2002 - \$34.3 billion). This estimate is calculated by discounting the bonds' contractual cash flows at rates currently available at year-end for similar investments.

The following schedule provides information on the disposals, re-investments and balance of the Investment Fund.

**BONDS, AT COST**  
(in millions of dollars)

	March 31, 2002	Disposals	Re-investments	March 31, 2003
Newfoundland and Labrador .....	633	52	52	633
Prince Edward Island .....	140	11	11	140
Nova Scotia .....	1,173	94		1,079
New Brunswick .....	834	73	73	834
Quebec .....	96	5	5	96
Ontario .....	11,944	1,236	38	10,746
Manitoba .....	1,260	132		1,128
Saskatchewan .....	1,219	110	42	1,151
Alberta .....	3,560	275	100	3,385
British Columbia .....	4,027	378	359	4,008
Yukon Territory .....	4			4
Canada .....	24,890	2,366	680	23,204
	3,386	17		3,369
	28,276	2,383	680	26,573

**Canada Pension Plan —Continued**

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2003—*Continued*

The following schedule presents the bonds by maturity dates and the weighted-average annual rate of return on bonds currently held.

	2003 (in millions of dollars)	2002		
	Investments at cost	Average yield	Investments at cost	Average yield
<b>Investments maturing</b>				
Within 1 year .....	2,499	11.77%	2,383	14.80%
1 to 5 years .....	9,700	10.99%	10,020	11.46%
Over 5 years .....	14,374	8.90%	15,873	9.13%
<b>Total—Investments .....</b>	<b>26,573</b>		<b>28,276</b>	
<b>Weighted-average yield on investments .....</b>		<b>9.93%</b>		<b>10.43%</b>

**6. Investments held by the CPP Investment Board**

The Canada Pension Plan Investment Board (CPPIB) was established by an act of Parliament in 1997. The *Canada Pension Plan Investment Board Act* came into force on April 1, 1998. The purpose of the Board is to invest the funds transferred by the CPP in a diversified portfolio of investments. The Board is designed to operate at arm's length from the government. It is required to be accountable to the public, Parliament (through the federal Minister of Finance), and the provinces and provides regular reports of its activities and the results achieved.

The following schedule provides information on the Board's investments as at March 31.

	2003 (in millions of dollars)	2002
<b>Canadian equities, at fair value</b>		
Public markets .....	11,051	9,825
Private markets .....	261	144
	<b>11,312</b>	<b>9,969</b>
<b>Non-Canadian equities, at fair value</b>		
Public markets .....	4,245	3,832
Private markets .....	1,265	316
	<b>5,510</b>	<b>4,148</b>
<b>Total equities</b>		
(Cost 2003 - \$20,336; 2002 - \$14,546) .....	<b>16,822</b>	<b>14,117</b>
<b>Real return assets</b>		
Public markets real estate .....	219	145
Private markets real estate .....	246	
	<b>465</b>	<b>145</b>
<b>Total real return assets</b>		
(Cost 2003 - \$645; 2002 - \$145) .....	<b>465</b>	<b>145</b>
<b>Money market securities</b>		
(Cost 2003 - \$575; 2002 - \$27) .....	575	27
<b>Investment receivables</b>		
(Cost 2003 - \$41; 2002 - nil) .....	41	
<b>Investment liabilities</b>		
(Cost 2003 - \$452; 2002 - nil) .....	(450)	
<b>Total net investments .....</b>	<b>17,453</b>	<b>14,289</b>

**Canada Pension Plan —Continued****NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2003—Continued**

The CPP Investment Board has established investment policies which set out the manner in which assets shall be invested. In determining the asset mix, the CPPIB takes into consideration certain assets of the CPP which are held outside the CPP Investment Board.

In accordance with its Investment Policy, at least 70 percent of the book value of the CPP Investment Board's portfolio is allocated to Canadian investments and the remainder to non-Canadian investments.

The CPPIB's investments are mainly allocated to equities. During the current year, the CPP Investment Board sold units held in index pooled and mutual funds and purchased the individual securities underlying the funds. The CPP Investment Board also obtains exposure to real estate through investments in publicly traded securities and privately held real estate. Private real estate investments are held by a subsidiary and are managed on behalf of the CPP Investment Board by external advisors and managers through co-ownership arrangements.

The CPPIB limits credit risk by dealing with counterparties that have a minimum credit rating of A or R-1 (short term) as determined by a recognized credit rating agency, where available, or as determined through an internal credit rating process. Credit exposure is limited to maximum amounts approved by the Board of Directors.

The CPP Investment Board is exposed to currency risk through holdings of non-Canadian investments and investment receivables. Investments are not hedged against changes in foreign exchange rates.

The CPP Investment Board is exempt from Part I tax under paragraph 149(1)(d) of the *Income Tax Act (Canada)* on the basis that all of the shares of the CPP Investment Board are owned by Her Majesty in right of Canada. The CPP Investment Board's subsidiaries are exempt from Part I tax under paragraph 149(1)(d.2) of the *Income Tax Act (Canada)* on the basis that all of the shares of the subsidiaries are owned by a corporation whose shares are owned by Her Majesty in right of Canada.

The CPP Investment Board's audited financial statements for the year ended March 31, 2003 are publicly available and provide details concerning the Board's investment policy, its investments and portfolio return.

**7. Receivables from beneficiaries**

	2003	2002
	(in millions of dollars)	
Balance of pensions and benefits		
overpayments .....	77	73
Allowance for doubtful accounts.....	(28)	(30)
	<hr/>	<hr/>
	49	43

Human Resources Development Canada has procedures to detect overpayments. During the year, overpayments totalling \$45 million (2002 - \$38 million) were established and remissions of debts totalling \$4 million (2002 - \$10 million) were granted. A further \$37 million was recovered (2002- \$32 million).

**8. Canada Pension Plan Account**

The CPP Account was established in the accounts of Canada by the *CPP Act*, to record the contributions, interest, pensions, benefits and administration costs of the Plan. It also records the amounts transferred to or received from the CPP Investment Fund and the CPP Investment Board.

The balance of the CPP Account includes the Deposit with Receiver General for Canada and short-term investments, if any. As at March 31, the Deposit with Receiver General for Canada amounts to \$7,093 million (2002 - \$6,770 million).

**9. Contributions**

As indicated in Note 4, contributions for the year are measured by Canada Customs and Revenue Agency (CCRA). Contributions are measured based on amounts assessed and reassessed by CCRA at the time of preparation of its financial statements and an estimate of contributions for the period that were not yet assessed or reassessed at that time based on cash amounts received.

Actual results may differ from these estimates. Actual contribution amounts for calendar years 2002 and 2003 will only be known once the CCRA has processed all employers' and self-employed workers' declarations of contributions for these years. An adjustment for the variation between actual and estimated contributions will be recorded in the fiscal year in which the adjustment is known.

**Canada Pension Plan —Concluded**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2003—*Concluded*

## 10. Investment income/(loss)

	2003	2002
	(in millions of dollars)	
Interest on bonds held by the CPP Investment Fund.....	2,741	3,071
Interest on deposit with Receiver General for Canada at a weighted-average annual rate of 2.64 percent (2002 - 3.09 percent) .....	169	189
Investment Board net income/(loss) from operations:		
Net unrealized gains/(losses) .....	(3,264)	459
Fund distributions of capital gains and dividends .....	361	213
Net realized losses .....	(1,533)	(378)
Dividend income.....	288	12
Other investment income.....	9	10
Investment and administrative expenses.....	(13)	(11)
	<hr/>	<hr/>
	(4,152)	305
	<hr/>	<hr/>
	(1,242)	3,565

## 11. Administration costs

	2003	2002
	(in millions of dollars)	
Pension and benefit delivery, accommodation and corporate services (Human Resources Development Canada) .....	328	279
Collection of contributions (Canada Customs and Revenue Agency) .....	80	78
Cheque issue and computer services (Public Works and Government Services Canada) .....	13	13
Actuarial services (Office of the Superintendent of Financial Institutions) .....	1	1
	<hr/>	<hr/>
	422	371

Administration costs of the CPP represent the cost of services received from a number of federal government departments and an agency. Those costs are based on estimated allocations of costs and are charged to the CPP in accordance with memoranda of understanding.

## 12. Contingencies

At March 31, 2003, there were 5,140 (8,185 in 2002) appeals relating to the payment of CPP pensions and benefits. Claims for these appeals could reach a maximum estimated amount of \$22 million (\$35 million in 2002). Any award made in favour of beneficiaries will be accounted for as an expenditure of the period in which the amount becomes payable.

## 13. Legislative amendment

Legislation to amend the *Canada Pension Plan* and the *Canada Pension Plan Investment Board Act* was passed by Parliament on April 3, 2003, and is now subject to provincial approval. The provisions of the amending legislation contemplate a transfer of the CPP assets currently managed by the federal government to the CPP Investment Board. These assets consist of the bonds held by the CPP Investment Fund and the Deposit with Receiver General for Canada. If the legislative change is approved by the provinces, these assets will be transferred over a period of three years.

## 14. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

## Government Annuities Account

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by the management of Human Resources Development Canada in accordance with Canadian generally accepted accounting principles. Management is responsible for the integrity and objectivity of the information in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions comply with relevant authorities, assets are safeguarded and proper records are maintained.

Management of Human Resources Development Canada recognizes the responsibility of conducting its affairs in compliance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations.

Management of Human Resources Development Canada is responsible for maintaining adequate control systems and the quality of financial reporting. The financial statements have been reviewed and approved by the Department.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Account and for issuing her report thereon.

MARYANTONETT FLUMIAN  
Deputy Minister

BERNARD ST MARTIN  
For the Assistant Deputy Minister  
Financial and Administrative Services

June 18, 2003

### REPORT OF THE ACTUARY

I have valued the actuarial liabilities in the balance sheet of the Government Annuities Account as at March 31, 2003 and their change in the Account's statement of operations for the year then ended.

As prescribed in the *Government Annuities Regulations*, the valuation was based on the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The valuation assumed a seven percent annual interest rate, also as stipulated in the *Regulations*.

The valuation was conducted in accordance with accepted actuarial principles to the extent that they apply. Significant differences are as follows: first, the Account's assets are in the form of a deposit with the Receiver General for Canada, so actuarial liabilities were based on the present value of future payments discounted at the prescribed interest rate; second, administrative expenses are paid by the Government out of general funds, so no provision is made in the valuation; and finally, given the need for a realistic valuation and based on the size and long standing existence of this group of annuitants, there are no added margins for mortality risks.

In my opinion, the valuation is appropriate, it conforms to statutory requirements and the financial statements fairly present its results.

Michel Bédard  
Fellow of the Canadian Institute of Actuaries  
Chief Actuary  
Human Resources Development Canada

Hull, Canada  
June 18, 2003

**Government Annuities Account—Continued**

**AUDITOR'S REPORT**

TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the balance sheet of the Government Annuities Account as at March 31, 2003 and the statements of operations and actuarial liabilities and cash flows for the year then ended. These financial statements are the responsibility of the management of Human Resources Development Canada. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations.

John O'Brien, CA  
Principal  
for the Auditor General of Canada

Halifax, Canada  
June 18, 2003

**BALANCE SHEET AS AT MARCH 31, 2003**  
(in thousands of dollars)

ASSETS	2003	2002	LIABILITIES	2003	2002
Deposit with Receiver General for Canada (Note 3) .....	410,167	442,682	Actuarial surplus due to Canada .....	3,309	4,524
Accrued interest due from Canada .....	30,612	33,092	Actuarial liabilities (Note 4) .....	437,570	471,351
Accounts receivable.....	100	101			
	440,879	475,875		440,879	475,875

Contingency (Note 7)

See accompanying notes to the financial statements.

Approved by the Department:

MARYANTONETT FLUMIAN  
*Deputy Minister*

BERNARD ST MARTIN  
*For the Assistant Deputy Minister  
Financial and Administrative Services*

**Government Annuities Account—Continued****STATEMENT OF OPERATIONS AND ACTUARIAL LIABILITIES  
FOR THE YEAR ENDED MARCH 31, 2003**  
(in thousands of dollars)

	2003	2002
Payments and other charges		
Annuity payments.....	60,752	64,294
Premium refunds.....	305	326
Unclaimed annuities.....	246	575
	<u>61,303</u>	<u>65,195</u>
Income		
Interest from Canada .....	30,612	33,092
Premiums (Note 3).....	54	74
Other.....	165	120
	<u>30,831</u>	<u>33,286</u>
Excess of payments and other charges over income for the year .....	30,472	31,909
Actuarial liabilities, balance at begin- ning of the year.....	471,351	507,784
	<u>440,879</u>	<u>475,875</u>
Actuarial surplus due to Canada .....	3,309	4,524
Actuarial liabilities, balance at end of the year (Note 4) .....	437,570	471,351
Actuarial liabilities are comprised of:		
Deferred annuities, present value.....	29,266	35,697
Matured annuities, present value.....	408,304	435,654
	<u>437,570</u>	<u>471,351</u>

See accompanying notes to the financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2003**  
(in thousands of dollars)

	2003	2002
Cash flows from (used in) operations:		
Payments to annuitants .....	(61,057)	(64,620)
Unclaimed annuities paid to Consolidated Revenue Fund .....	(246)	(575)
Interest received .....	33,092	35,616
Premiums received from annuitants .....	54	74
Other income.....	166	216
	<u>(27,991)</u>	<u>(29,289)</u>
Actuarial surplus remitted to Consolidated Revenue Fund .....	(4,524)	(5,646)
Decrease in Deposit with Receiver General for Canada .....	(32,515)	(34,935)
Deposit with Receiver General for Canada, balance at beginning of the year.....	442,682	477,617
Deposit with Receiver General for Canada, balance at end of the year .....	410,167	442,682

See accompanying notes to the financial statements.

**NOTES TO FINANCIAL STATEMENTS**

MARCH 31, 2003

**1. Authority and purpose**

The Government Annuities Account was established in 1908 by the *Government Annuities Act* (the "Act"), as modified by the *Government Annuities Improvement Act* (the "Improvement Act").

The purpose of the *Act* was to assist individuals and groups of Canadians to provide for their later years by purchasing Government Annuities. In 1975, the *Improvement Act* discontinued future sales of Government Annuity contracts. Annuities are deferred until the maturity date, at which time payments to annuitants begin.

The Account is administered by the management of Human Resources Development Canada and operates through the Consolidated Revenue Fund.

**2. Significant accounting policies**

The financial statements of the Government Annuities Account are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are:

**(a) Actuarial liabilities**

The method utilized to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and the regulations pertaining thereto.

Actuarial liabilities comprise, in respect of deferred and matured annuities, the present value of such annuities actuarially determined on the basis of such rate or rates of interest and mortality tables as is prescribed.

**(b) Actuarial surplus/deficit**

At the end of any fiscal year, the recorded amount of actuarial liabilities may be different than the amount of actuarial liabilities determined by the actuary. The difference is recorded as an actuarial surplus or deficit, which is remitted to or recovered from the Consolidated Revenue Fund.

**(c) Interest from Canada**

Interest from Canada is calculated on actuarial liabilities as prescribed by the *Government Annuities Improvement Act*.

**(d) Unclaimed annuities**

Unclaimed annuities represent amounts transferred to the Consolidated Revenue Fund in respect of annuities that could not be paid because the annuitants could not be located.

**Government Annuities Account—Concluded**

**NOTES TO FINANCIAL STATEMENTS**

MARCH 31, 2003—*Concluded*

**(e) Management estimates**

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, actuarial liabilities, income and the disclosure of contingent liabilities at the date of the financial statements. Despite the use of management's best estimates, it is possible that the amounts for the actuarial liabilities and related accounts could change materially in the near term.

**3. Premiums deposited with Receiver General for Canada**

Premiums are deposited with the Receiver General for Canada. This deposit earns interest at a rate of seven percent in accordance with the *Government Annuities Improvement Act*.

**4. Actuarial liabilities**

The *Government Annuities Act* and regulations prescribe the basis upon which actuarial values are to be determined. The regulations require the discounting of expected future payments using a seven percent annual interest. Future payments are to be estimated by using the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The Chief Actuary has indicated that these assumptions provide a reasonable estimate of the actuarial liabilities of the Account.

**5. Respective roles of the valuation actuary and of the auditor**

In accordance with the Joint Policy Statement of the Canadian Institute of Chartered Accountants and the Canadian Institute of Actuaries, dated March 1991, it is appropriate to include a description of the respective roles of the actuary and of the auditor with the financial statements. Their respective roles are as follows:

**(a) The actuary**, being in this case the Chief Actuary employed by Human Resources Development Canada, determines and reports on the amount of actuarial liabilities for annuity contracts issued under the *Government Annuities Act*, as shown in the financial statements. This valuation is conducted in accordance with accepted actuarial principles, as adapted to the circumstances of the Government Annuities program. The Chief Actuary also ensures that the method utilized to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and the regulations pertaining thereto.

**(b) The auditor** expresses an opinion on the fair presentation of the financial statements prepared by management in accordance with Canadian generally accepted accounting principles. The auditor also expresses an opinion on whether the transactions that come to the auditor's attention are, in all significant respects, in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations. The audit is conducted in accordance with Canadian generally accepted auditing standards issued by the Canadian Institute of Chartered Accountants.

**6. Related party transactions**

The Account does not record the value of administrative services it receives without charge from Human Resources Development Canada and other government entities. For the year ended March 31, 2003, the estimated cost of the administrative services received from Human Resources Development Canada amounted to \$2.7 million (2002—\$2.6 million).

**7. Contingency**

A lawsuit has been filed against Her Majesty the Queen claiming breach of the government's responsibility to properly administer the transfer of excess payments within the Account. The amount of the claim is \$8.2 million. In management's opinion, the outcome of this action cannot be determined at this time and no provision has been made in the financial statements.

**Royal Canadian Mounted Police (Dependants)  
Pension Fund**

**MANAGEMENT RESPONSIBILITY FOR FINANCIAL  
STATEMENTS**

The management of the Royal Canadian Mounted Police (Dependants) Pension Fund is responsible for the preparation of the financial statements. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include estimates that reflect management's best judgements.

Management is also responsible for developing and maintaining a system of internal control designed to provide reasonable assurance that all transactions are accurately recorded and that they comply with the relevant authorities, that the financial statements report the Fund's net assets available for benefits and that its assets are safeguarded.

The Auditor General of Canada conducts an independent audit and expresses an opinion on the financial statements.

Approved by:

GUILIANO ZACCARDELLI  
*Commissioner*

PAUL GAUVIN  
*Deputy Commissioner*  
*Corporate Management and Comptrollership*

September 30, 2003

**AUDITOR'S REPORT**

**TO THE SOLICITOR GENERAL OF CANADA**

I have audited the statement of net assets available for benefits of the Royal Canadian Mounted Police (Dependants) Pension Fund as at March 31, 2003 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at March 31, 2003 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

John Wiersema, FCA  
Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
September 30, 2003

**Royal Canadian Mounted Police (Dependants)  
Pension Fund—Continued**

**STATEMENT OF NET ASSETS AVAILABLE FOR  
BENEFITS  
AS AT MARCH 31, 2003**

	2003	2002
	\$	\$
Net assets available for benefits		
Due from the Consolidated Revenue Fund .....	30,919,035	31,370,192

See accompanying notes to the financial statements.

**STATEMENT OF CHANGES IN NET ASSETS  
AVAILABLE FOR BENEFITS  
FOR THE YEAR ENDED MARCH 31, 2003**

	2003	2002
	\$	\$
Net assets available for benefits, beginning of year .....	31,370,192	30,960,532
Increase in net assets:		
Interest income on amount due from the Consolidated Revenue Fund .....	2,480,853	2,638,350
Contributions from participants .....	10,400	10,952
Total increase in net assets .....	2,491,253	2,649,302
Decrease in net assets:		
Benefit payments to widows and children .....	(2,942,410)	(2,239,642)
(Decrease) increase in net assets .....	(451,157)	409,660
Net assets available for benefits, end of year .....	30,919,035	31,370,192

See accompanying notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2003**

**1. Description of the Fund**

The following summary description of the Royal Canadian Mounted Police (Dependants) Pension Fund (the Fund) is for general information only. For more complete information, reference should be made to the *Royal Canadian Mounted Police Pension Continuation Act* (the Act). All monetary transactions of the Fund are made through a specified purpose account in the Consolidated Revenue Fund (CRF).

**(a) General**

The Royal Canadian Mounted Police (Dependants) Pension Fund was established in 1934 pursuant to the *Royal Canadian Mounted Police Act* and is currently operated under Part IV of the *Royal Canadian Mounted Police Pension Continuation Act* (effective 1959) and the related Regulations.

The *Act* provides for members of the Force, other than commissioned officers, appointed before March 1, 1949, to purchase certain survivorship benefits for their dependants by payment of specified contributions.

**(b) Funding policy**

All eligible members have now retired and, as such, there are no more active members contributing to the Fund; however, retired members may continue to make instalment payments in respect of previous elections made before their retirement.

The *Act* directs the Minister of Finance to have an actuarial valuation of the Fund prepared at least every five years. If the actuarial valuation discloses a surplus, the Governor in Council may, by order, increase the benefit payments. If there is an actuarial deficiency, the Governor in Council may direct that there be amounts transferred to the Fund, out of any unappropriated moneys in the CRF, such amount as may be required to re-establish the solvency of the Fund.

**(c) Interest income**

The Government of Canada credits the Fund with interest computed quarterly on the amount due from the Consolidated Revenue Fund at the end of the preceding quarter. The rate of interest is determined by the Minister of Finance on a quarterly basis and is equal to the rate used in other government superannuation accounts. The rate is calculated as though the amounts recorded were invested in a notional portfolio of Government of Canada 20 year bonds.

## Royal Canadian Mounted Police (Dependants) Pension Fund—Continued

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2003—Continued

#### (d) Basic death benefits

The following benefits, as applicable, are payable on the death of a member who has made the scheduled contributions and has left them in the Fund.

##### i) Widow's pension benefit

The widow is entitled to the pension purchased by the member. In many cases the pension benefit equals approximately 1.5 percent of the member's final pension benefit payment multiplied by his years of credited service. The pension benefit is payable for life with a guarantee that the total payments shall be no less than the member's contributions.

##### ii) Eligible children's annuities

An annuity, not exceeding 7 percent of the member's final pension payment, is payable to each surviving child eligible in accordance with the provisions of the *Act* at that time. If there is no surviving widow or if the widow dies before the child's annuity ceases, the amount of the annuity doubles.

##### iii) Lump sum benefits

If a member is not survived by a widow, a lump sum payment is made to the dependants and relatives of the member who are, in the opinion of the Minister, best entitled to share the benefit. The lump sum amount is equal to the actuarial present value of a pension to a hypothetical surviving widow 20 years older than the member at his death, but not exceeding 75 years of age.

##### iv) Benefit limitations

Under certain circumstances, the basic death benefits payable to a surviving widow are reduced. This can occur when a member marries after age 60; in that case, the value of the pension to the widow cannot exceed the lump sum payable if he were not survived by a widow.

#### (e) Dividends on death benefits

The *Act* provides that if the Fund is substantially in excess of the amount required to make adequate provision for the prospective payments, the Governor in Council may, by order, increase the benefits provided under Part IV of the *Act* in such manner as may appear equitable and expedient. The authority of the Governor in Council is delegated to the Treasury Board under section 7(2) of the *Financial Administration Act*.

To date, most of these benefit increases have taken the form of proportionate dividends applied to all basic death benefits, both accrued and prospective.

#### (f) Withdrawal of contributions

A retired member who did not elect to withdraw his contributions from the Fund upon retirement retains the right to do so at any time thereafter; however, all his rights under Part IV of the *Act* and those of his dependants shall cease upon such election. All returns of contributions are made without interest.

### 2. Significant accounting policies

#### (a) Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity independent of the sponsor and Fund members. They are prepared to assist Fund members and others in reviewing the activities of the Fund for the fiscal period but they do not portray the funding requirements of the Fund.

Due from the Consolidated Revenue Fund is considered a cash equivalent, and accordingly its carrying value approximates fair value.

#### (b) Services provided without charge

The Fund does not record the value of administrative services it receives without charge from various government departments and agencies. These services include the following:

- financial management and other support services from the Royal Canadian Mounted Police;
- actuarial valuation and other services from the Office of the Superintendent of Financial Institutions; and,
- cheque issue from Public Works and Government Services Canada.

### 3. Pension obligations

The most recent statutory actuarial valuation was performed as at March 31, 2001 by the Office of the Superintendent of Financial Institutions. The valuation disclosed an actuarial surplus of \$4,818,000. A portion of this surplus was distributed by annual increases in the basic pension amount of 27 percent effective April 1, 2002, an additional 28 percent effective April 1, 2003, and an additional 28 percent effective April 1, 2004 and by increases to lump sum death benefits and residual payments. The cumulative increase to the basic pension amount was 962 percent effective April 1, 2002, 990 percent effective April 1, 2003 and 1,018 percent effective April 1, 2004.

**Royal Canadian Mounted Police (Dependants)**  
**Pension Fund—Concluded**

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2003—*Concluded*

The remaining balance of the actuarial surplus is intended to be used over the remaining life of the Fund for the payment of increases (roughly matching the rate of inflation) in the pension benefits. The average ages of the members and widows were estimated to be 79 and 80 years respectively as at March 31, 2001. The expected average remaining lifetime of the widows was about 8 years. The remaining lifetime of the Fund itself was estimated at 39 years.

The obligations for pension benefits are determined on an actuarial basis and incorporate the actuary's best estimates of future Fund yields, mortality rates, proportion of members married, and age of new widows. The current Fund yield of 8.30 percent per annum (8.84 percent in 2002) is consistent with the estimated yield (8.52 percent) used for the immediate future in the actuarial valuation. The expected long-term Fund yield is estimated to decline to 5.65 percent per annum by the year 2018 and to rise to 6.09 percent by 2035. Variations in any of these assumptions can result in a significantly higher, or lower, estimate of the liability.

An interim valuation was performed at March 31, 2003. The actuarial present value of accrued pension benefits as at March 31, 2003 (net of a \$57,000 deduction (\$61,000 in 2002) representing the present value of participants' future instalment payments) and the principal components of change in the actuarial present value during the year were estimated as follows:

	2003	2002
	\$	\$
Actuarial present value of accrued pension benefits, beginning of year .....	27,836,000	26,045,000
Net interest accrued on benefits .....	2,249,000	2,351,000
Net adjustment arising from experience gains and losses and from valuation changes .....	332,000	32,000
Amendments to the Fund including benefits increases .....		1,637,000
Contributions from participants (instalment payments) .....	10,000	11,000
Benefit payments .....	<u>(2,942,000)</u>	<u>(2,240,000)</u>
Actuarial present value of accrued pension benefits, end of year.....	<u>27,485,000</u>	<u>27,836,000</u>

# **SECTION 7**

**2002-2003**

***PUBLIC ACCOUNTS OF CANADA***

## **Cash and Accounts Receivable**

### **CONTENTS**

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Cash in bank .....	7.3
Cash in transit .....	7.4
Outstanding cheques and warrants .....	7.5
Tax receivables .....	7.6
Other accounts receivable .....	7.7

## CASH AND ACCOUNTS RECEIVABLE

This section contains information on accounts reported on the Statement of Financial Position under "Cash and Accounts Receivable".

Table 7.1 presents the year-end balances of cash and accounts receivable by category. Chart 7A compares cash and accounts receivable for the last ten fiscal years.

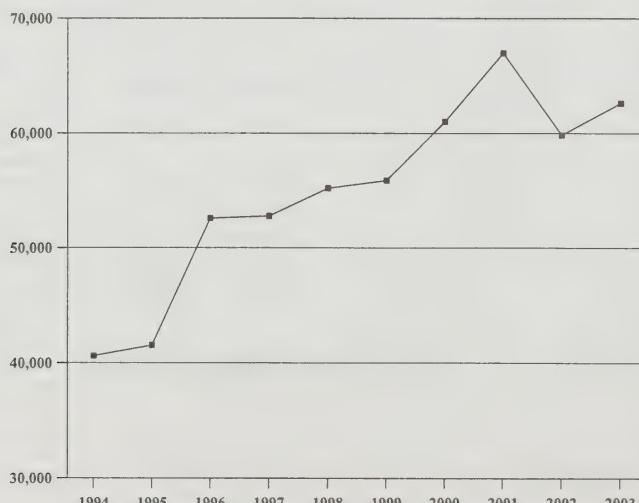
Most tables in this section present the continuity of accounts, by showing the opening and closing balances. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

**TABLE 7.1**  
CASH AND ACCOUNTS RECEIVABLE

	April 1/2002 <sup>(1)</sup>	March 31/2003
	\$	\$
Cash in bank, Table 7.2 .....	12,025,701,759	14,821,131,784
Cash in transit, Table 7.5 .....	5,173,873,863	6,610,169,069
Less: outstanding cheques and warrants, Table 7.6 .....	17,199,575,622	21,431,300,853
Total cash .....	5,839,467,652	4,945,109,360
Tax receivables, Table 7.7 .....	45,604,904,797	43,597,037,466
Other accounts receivable, Table 7.9 .....	2,867,675,989	2,542,741,669
Total receivable .....	48,472,580,787	46,139,779,135
<b>Total.....</b>	<b>59,832,688,757</b>	<b>62,625,970,628</b>

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in note 2 in Section 2 of this volume.

**CHART 7A**  
CASH AND ACCOUNTS RECEIVABLE AT MARCH 31  
(in millions of dollars)



## Cash in Bank

This account records public moneys on deposit at March 31, to the credit of the Receiver General for Canada, with the Bank of Canada, chartered banks and other financial institutions.

Table 7.2 presents a summary of the balances in current and special Receiver General deposits.

The year-end balances denominated in foreign currencies have been translated into Canadian dollar equivalents at year-end closing rates of exchange. Foreign currencies held include United Kingdom pounds sterling, United States dollars, Belgian francs, French francs, German marks and Euros.

**TABLE 7.2**  
**CASH IN BANK**

	April 1/2002	March 31/2003
	\$	\$
Receiver General—		
Current deposits—		
Canadian currency, Table 7.3.....	11,949,502,823	14,699,874,336
Foreign currencies, Table 7.4.....	47,364,911	49,889,107
Special deposits.....	28,834,025	71,368,341
Total.....	12,025,701,759	14,821,131,784

### Receiver General current deposits

The monthly comparative balances of Canadian and foreign currency deposits are presented in the following tables:

**TABLE 7.3**  
**CANADIAN CURRENCY DEPOSITS**  
(in millions of dollars)

At end of month of	Year ended March 31	
	2002	2003
April.....	12,965	5,661
May.....	16,530	12,856
June.....	3,708	4,979
July.....	3,499	2,955
August.....	9,097	7,927
September.....	3,595	3,924
October.....	5,261	3,189
November.....	13,600	12,236
December.....	4,992	5,834
January.....	4,442	4,822
February.....	9,974	5,939
March.....	11,950	14,700

**TABLE 7.4**  
**FOREIGN CURRENCY DEPOSITS**  
(translated into Canadian dollars)  
(in millions of dollars)

At end of month of	Year ended March 31	
	2002	2003
April.....	36	32
May.....	20	42
June.....	52	25
July.....	44	22
August.....	41	27
September.....	37	35
October.....	23	28
November.....	24	24
December.....	27	24
January.....	25	20
February.....	36	53
March.....	47	50

### Receiver General special deposits

These are balances in the hands of financial institutions for the purchase or redemption of Government securities, for the payment of interest and for reimbursement of GST Refund payments issued by the "ministère du Revenu du Québec" on behalf of the government.

## Cash in Transit

Table 7.5 presents a summary of the balances for cash in transit. This category of accounts records amounts which are reported in the financial statements, but which were not deposited in the Consolidated Revenue Fund or other bank accounts until after March 31.

**TABLE 7.5****CASH IN TRANSIT**

	April 1/2002	March 31/2003
	\$	\$
Cash in hands of collectors and in transit <sup>(1)</sup> . . . . .	4,764,345,863	6,053,408,069
Other cash—Consolidated Crown corporations <sup>(2)</sup> . . . . .	409,528,000	556,761,000
Total . . . . .	5,173,873,863	6,610,169,069

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in note 2 in Section 2 of this volume.

<sup>(2)</sup> Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

### Cash in hands of collectors and in transit

This account records public moneys received by public officers prior to April 1, but not deposited to the credit of the Receiver General for Canada in the Bank of Canada, before that date.

### Other cash—Consolidated Crown corporations

This account records the cash position of the consolidated Crown corporations. These funds are not public moneys to the credit of the Receiver General for Canada but are for the exclusive use of these Crown corporations.

## Outstanding Cheques and Warrants

This account records cheques and warrants issued but not yet presented for payment.

Table 7.6 presents a summary of the balances for outstanding cheques and warrants.

**TABLE 7.6**  
OUTSTANDING CHEQUES AND WARRANTS

	April 1/2002	March 31/2003
	\$	\$
Outstanding cheques <sup>(1)</sup> .....	5,836,797,510	4,941,948,992
Imprest account cheques .....	2,670,142	3,160,368
Total.....	5,839,467,652	4,945,109,360

<sup>(1)</sup> Includes Employment insurance warrants.

### Outstanding cheques

Cheques issued in Canadian dollars, and unpaid at March 31, are recorded in this account. Cheques outstanding for 10 years are transferred to non-tax revenues. During the year, an amount of \$41,392,349 (\$30,348,010 in 2002) was transferred to non-tax revenues.

Cheques in foreign currencies are credited to the Government's cash account at the time of issue.

### Imprest account cheques

Imprest account cheques issued and unpaid at March 31, with the exception of those outstanding for 10 years or more (which have been transferred to non-tax revenues), are recorded in this account. During the year, an amount of nil (\$1,954 in 2002) was transferred to non-tax revenues.

## Tax Receivables

Tax receivables include amounts assessed by Canada Customs and Revenue Agency but not yet collected, as well as estimates of unassessed taxes at year-end. Amounts receivable also include related amounts for interest and penalties.

Tax receivables include taxes and premiums collectable on behalf of others such as provincial, territorial governments and the Canada Pension Plan. These amounts have also been included in liabilities.

Table 7.7 presents tax receivables by tax stream. Amounts receivable that are written off or forgiven are included in Section 3 of Volume II Part II (Debts, obligations and claims written off or forgiven).

**TABLE 7.7**  
**TAX RECEIVABLES AS AT MARCH 31**

(in thousands of dollars)

	2003		2002
	Gross tax receivables	Allowance for doubtful accounts	Net tax receivables
<b>Tax receivables—</b>			
Income tax receivables—			
Individuals .....	24,280,265	3,311,053	20,969,212
Employers .....	10,203,348	644,610	9,558,738
Corporations .....	5,243,102	1,073,723	4,169,379
Non-residents .....	824,562	332,673	491,889
Goods and services tax receivable .....	9,570,803	1,734,102	7,836,701
Customs duties receivable .....	126,104	37,738	88,366
Excise taxes and duties receivable .....	523,015	40,263	482,752
Total .....	50,771,199	7,174,162	43,597,037
			45,604,905

Table 7.8 presents the aging for gross tax receivables for the period over which claims at March 31, 2003 have been outstanding. Receivables based on estimates of unassessed taxes at year-end are included in current receivables.

**TABLE 7.8**  
**AGING OF TAX RECEIVABLES**

(in thousands of dollars)

	Year ended March 31	
	2003	2002
<b>Tax receivables</b>		
Less than one year .....	42,029,114	44,556,892
1-2 .....	2,900,254	2,322,866
2-3 .....	1,552,432	1,332,839
3-4 .....	1,138,577	884,374
4-5 .....	785,968	559,018
Over 5 years .....	2,364,853	2,313,567
Total .....	50,771,199	51,969,555

## Other accounts receivable

Other accounts receivable represent billed (but uncollected) and unbilled or accrued financial claims arising from amounts owed to the Government for use of its assets, or from the proceeds for provision of services as of March 31, 2003.

Amounts receivable written off or forgiven are included in Section 3 of Volume II Part II (Debts, obligations and claims written off or forgiven).

Table 7.9 presents a summary of the balances for other receivables.

**TABLE 7.9**

### OTHER ACCOUNTS RECEIVABLE AS AT MARCH 31

	2003		2002	
	Gross receivables	Allowance for doubtful accounts	Net receivables	Net receivables <sup>(1)</sup>
Other receivables . . . . .	\$ 3,289,789,825	\$ 1,042,955,156	\$ 2,246,834,669	\$ 2,553,547,989
Accounts receivable of consolidated Crown corporations <sup>(2)</sup> . . . . .	295,907,000		295,907,000	314,128,000
Total . . . . .	3,585,696,825	1,042,955,156	2,542,741,669	2,867,675,989

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in note 2 in Section 2 of this volume.

<sup>(2)</sup> Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

## Other receivables

This account records accrued financial claims owed to the Government and arising from other revenues.

## Accounts receivable of consolidated Crown corporations

This account records the financial claims of consolidated Crown corporations.

Table 7.10 presents the aging of other accounts receivables (net of allowance for doubtful accounts) for the period over which claims at March 31, 2003 have been outstanding.

**TABLE 7.10**

### AGING OF OTHER ACCOUNTS RECEIVABLE

	Year ended March 31	
	2003	2002
	\$	\$
Outstanding days		
0-30 . . . . .	808,566,941	428,003,555
31-60 . . . . .	36,428,696	40,412,020
61-90 . . . . .	28,540,912	25,419,570
91-365 . . . . .	674,199,719	1,374,590,615
Over 365 . . . . .	699,098,401	685,122,229
Total . . . . .	2,246,834,669	2,553,547,989
Amounts receivable of consolidated Crown corporations . . . . .	295,907,000	314,128,000
Total . . . . .	2,542,741,669	2,867,675,989



# **SECTION 8**

**2002-2003**

***PUBLIC ACCOUNTS OF CANADA***

## **Foreign Exchange Accounts**

### **CONTENTS**

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International reserves held in the Exchange Fund Account .....	8.3
International Monetary Fund—Subscriptions .....	8.3
International Monetary Fund—Notes payable .....	8.3
Special drawing rights allocations .....	8.3
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## FOREIGN EXCHANGE ACCOUNTS

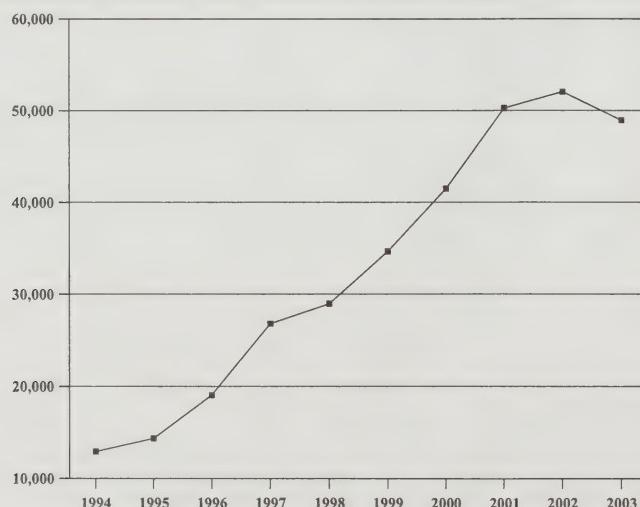
Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. Financial claims and obligations denominated in foreign currencies are reported at Canadian dollar equivalents at March 31. Investment income from the foreign exchange accounts and net gains and losses resulting from the translation of the net assets denominated in foreign currencies, to Canadian dollar equivalents as at March 31, are recorded in foreign exchange revenues on the Statement of Operations.

Table 8.1 presents the continuity of each foreign exchange account, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. It should be noted, however, that this table excludes unmatured debt payable in foreign currencies, amounting to \$21,141 million as at March 31, 2003 (\$27,032 million as at March 31, 2002); details relating to these obligations are presented in Section 6 of this volume. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables. Chart 8A compares the net foreign exchange accounts for the last ten fiscal years.

**TABLE 8.1**  
FOREIGN EXCHANGE ACCOUNTS

	April 1/2002	Payments and other charges	Receipts and other credits	March 31/2003
	\$	\$	\$	\$
International reserves held in the Exchange Fund				
Account, Table 8.2.....	48,666,514,742	27,602,031,175	31,419,685,801	44,848,860,116
International Monetary Fund—Subscriptions.....	12,821,147,922	121,114,167		12,942,262,089
	61,487,662,664	27,723,145,342	31,419,685,801	57,791,122,205
Less:				
International Monetary Fund—Notes payable.....	7,893,216,466	1,625,000,000	1,001,872,283	7,270,088,749
Special drawing rights allocations .....	1,548,979,147		22,420,174	1,571,399,321
	9,442,195,613	1,625,000,000	1,024,292,457	8,841,488,070
Total .....	52,045,467,051	29,348,145,342	32,443,978,258	48,949,634,135

**CHART 8A**  
FOREIGN EXCHANGE ACCOUNTS AT MARCH 31  
(in millions of dollars)



## International Reserves Held in the Exchange Fund Account

This account records the moneys advanced from the Government to the Exchange Fund Account, in Canadian and other currencies, for the purchase of gold, foreign currencies and securities, and special drawing rights (SDRs).

The Exchange Fund Account is operated under the provisions of the *Currency Act*. In accordance with this *Act*, audited financial statements for the Exchange Fund Account are prepared for each calendar year. The financial statements as at December 31, 2002, together with the Auditor General's report thereon, are found at the end of this section.

Table 8.2 shows international reserves held in and advances to the Exchange Fund Account as at March 31, 2003. Gold held by the Account is valued at 35 SDRs per fine ounce (\$70.58 Cdn as at March 31, 2003 and \$69.57 Cdn as at March 31, 2002).

In 2002-2003, payments and other charges consisted of advances to the Exchange Fund Account in the amount of \$26,339 million, a net valuation adjustment of \$308 million and an adjustment of \$955 million to recognize the net income of the Exchange Fund Account for the period January 1 to March 31. Receipts and other credits consisted of repayments of advances of \$31,420 million.

**TABLE 8.2**

### INTERNATIONAL RESERVES HELD IN THE EXCHANGE FUND ACCOUNT (in millions of dollars)

	March 31/2003	March 31/2002
US dollar cash on deposits .....	146	164
US dollar short-term deposits.....	4,112	4,150
US dollar investments .....	18,988	24,672
Euro short-term deposits .....	481	159
Euro investments .....	18,651	17,114
Japanese yen short-term deposits.....	102	144
Japanese yen investments .....	1,247	1,205
Special drawing rights.....	1,085	990
Gold .....	36	68
Canadian cash on deposits .....	1	1
<b>Total .....</b>	<b>44,849</b>	<b>48,667</b>
 Advances by the Consolidated Revenue Fund were denominated as follows:		
US dollars (2003, \$19,529 million US; 2002, \$22,892 million US) .....	28,665	36,495
Euro .....	18,460	16,886
Japanese yen .....	1,344	1,298
Special drawing rights (2003, SDR 610 million; 2002, SDR 610 million) .....	(1,230)	(1,213)
Canadian dollars .....	(3,345)	(5,251)
<b>Total advances from the Consolidated Revenue Fund .....</b>	<b>43,894</b>	<b>48,215</b>
<b>Total net income from January 1 to March 31 .....</b>	<b>955</b>	<b>452</b>
<b>Total .....</b>	<b>44,849</b>	<b>48,667</b>

## International Monetary Fund—Subscriptions

This account records the value of Canada's subscription (its "quota") to the capital of the International Monetary Fund (IMF).

The amount by which the sum of Canada's subscriptions plus loans to the IMF under special facilities exceeds the IMF's holdings of Canadian dollars represents the amount of foreign exchange which Canada is entitled to draw from the IMF on demand for balance of payments purposes. The subscription is expressed in terms of SDR, a unit of account defined in terms of a "basket" of four major currencies, the Euro, US dollar, Pound sterling and Japanese yen.

Canada has accumulated its subscriptions through settlements to the IMF in Canadian dollars, gold and SDRs. Annual maintenance of value payments are made to, or received from, the IMF when the Canadian dollar depreciates or appreciates against the SDR, in order to maintain the SDR-value of the IMF's holdings of Canadian dollars.

In 2002-2003, payments and other charges consisted of a maintenance of value adjustment of \$99 million and a valuation adjustment of \$22 million.

## International Monetary Fund—Notes Payable

This account records non-marketable, non-interest bearing notes issued by the Government to the IMF. These notes are payable on demand and are subject to redemption or re-issue, depending on the needs of the IMF for Canadian currency.

Canadian dollar holdings of the IMF include these notes and a small working balance (initially equal to one-quarter of one percent of Canada's subscription) held on deposit at the Bank of Canada. In 2002-2003, notes payable to the IMF decreased by \$623 million.

## Special Drawing Rights Allocations

This account records the value of SDRs allocated to Canada by the IMF. The special drawing right is an international currency created by the IMF, and allocated to countries participating in its Special Drawing Rights Department. It represents a liability of Canada, as circumstances could arise whereby Canada could be called upon to repay these allocations, in part or in total.

As an asset, SDRs represent rights to purchase currencies of other countries participating in the IMF's Special Drawing Rights Department, as well as to make payments to the IMF itself. All SDRs allocated to Canada by the IMF have either been used to settle subscriptions in the IMF, or have been advanced to the Exchange Fund Account.

There was no allocation of SDRs by the IMF to Canada during the year. In 2002-2003, receipts and other credits consisted of a valuation adjustment of \$22 million.

## SUPPLEMENTARY STATEMENT

### Exchange Fund Account

#### MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Responsibility for the financial statements of the Exchange Fund Account (the Account) and all other information presented in this Annual Report rests with the Department of Finance. The operation of the Account is governed by the provisions of Part II of the *Currency Act*. The Account is administered by the Bank of Canada as fiscal agent.

The financial statements were prepared in accordance with the stated accounting policies set out in Note 2 to the financial statements which conform to those used by Government of Canada. These policies were applied on a basis consistent with that of the preceding year.

The Department of Finance establishes policies for the Account's transactions and investments, and related accounting activities. It also ensures that the Account's activities comply with the statutory authority of the *Currency Act*.

The Bank of Canada effects transactions for the Account and maintains records, as required to provide reasonable assurance regarding the reliability of the financial statements. The Bank reports to the Department of Finance on the financial position of the Account and on the results of its operations.

The Auditor General of Canada conducts an independent audit of the financial statements of the Account and reports the results of her audit to the Minister of Finance.

The Annual Report of the Account is tabled in Parliament along with the financial statements, which are also part of the *Public Accounts of Canada* and are referred to the Standing Committee on Public Accounts for their review.

DAVID A. DODGE  
*Governor*  
*Bank of Canada*

KEVIN G. LYNCH  
*Deputy Minister*  
*Department of Finance*

S. VOKEY  
*Chief Accountant*  
*Bank of Canada*

#### AUDITOR'S REPORT

##### TO THE MINISTER OF FINANCE

I have audited the balance sheet of the Exchange Fund Account as at December 31, 2002 and the statement of revenue for the year then ended. These financial statements are the responsibility of the Account's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at December 31, 2002 and its revenues and its cash flows for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements, which conform to the accounting policies of the Government of Canada.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part II of the *Currency Act*.

John Wiersema, CA  
Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
March 14, 2003

**Exchange Fund Account—Continued**

BALANCE SHEET AS AT DECEMBER 31, 2002  
(in millions of dollars)

ASSETS	2002		2001		DUE TO THE CONSOLIDATED REVENUE FUND	2002	2001
	US	CDN	US	CDN		CDN	CDN
<b>Denominated in US dollars</b>							
Cash and short-term deposits . . .	2,529	3,990	4,073	6,487	Advances (Note 9) . . . . .	47,668	46,353
Marketable securities (Notes 4 and 5) . . . . .	14,635	23,088	15,134	24,105	Net revenue for the year . . . . .	2,728	2,258
	<u>17,164</u>	<u>27,078</u>	<u>19,207</u>	<u>30,592</u>			
<b>Denominated in other foreign currencies</b>							
Cash and short-term deposits (Note 6) . . . . .	134	211	108	172			
Marketable securities (Notes 4 and 6) . . . . .	13,899	21,928	10,541	16,790			
	<u>14,033</u>	<u>22,139</u>	<u>10,649</u>	<u>16,962</u>			
<b>Denominated in Special Drawing Rights</b>							
Special Drawing Rights (Note 7) . . . . .	719	1,134	616	982			
Gold and gold loans (Note 8) . . . . .	28	45	47	75			
	<u>747</u>	<u>1,179</u>	<u>663</u>	<u>1,057</u>			
Official international reserve assets . . . . .	<u>31,944</u>	<u>50,396</u>	<u>30,519</u>	<u>48,611</u>		<u>50,396</u>	<u>48,611</u>

The accompanying notes are an integral part of these financial statements.

Approved:

DAVID A. DODGE  
*Governor*  
*Bank of Canada*

KEVIN G. LYNCH  
*Deputy Minister*  
*Department of Finance*

S. VOKEY  
*Chief Accountant*  
*Bank of Canada*

**Exchange Fund Account—Continued**

**STATEMENT OF REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(in millions of Canadian dollars)**

	2002	2001
Revenue from investments		
Marketable securities .....	2,110	2,318
Cash and short-term deposits .....	91	303
Special Drawing Rights .....	23	32
Gold .....	4	7
	<hr/> 2,228	<hr/> 2,660
Other revenue (loss)		
Gain on sales of gold .....	175	50
Net foreign exchange gains (losses) .....	325	(452)
	<hr/> 500	<hr/> (402)
Net revenue for the year due to the Consolidated Revenue Fund .....	2,728	2,258

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**1. Authority and objective**

The Exchange Fund Account (the Account) is governed by Part II of the *Currency Act*. The Account is in the name of the Minister of Finance and is administered by the Bank of Canada as fiscal agent. The *Financial Administration Act* does not apply to the Account.

The legislative mandate of the Account is to aid in the control and protection of the external value of the Canadian dollar, and the Minister of Finance acquires or sells for the Account those assets which are deemed appropriate for this purpose in accordance with the *Currency Act*. The Account is empowered to invest in instruments approved by the Minister of Finance in accordance with the *Act*.

The objectives of the Exchange Fund Account are to provide general liquidity for the government and to promote orderly conditions in the foreign exchange market for the Canadian dollar. In September 1998, the Department of Finance and the Bank of Canada decided to move away from intervening in the foreign exchange market in a predictable or automatic fashion (selling foreign exchange/buying Canadian dollars when there was upward pressure on the value of the Canadian dollar). Instead, the current policy is for the Bank of Canada to intervene on a discretionary basis.

Revenue for the year is payable to the Consolidated Revenue Fund of the Government of Canada within three months after the end of the year in accordance with the *Currency Act*.

**2. Significant accounting policies**

Significant accounting policies of the Account are set out below. As required by the *Currency Act*, they conform to the stated accounting policies used by the Government of Canada to prepare its financial statements. As all material changes in cash flows are evident from the financial statements, a separate statement of cash flows has not been prepared.

*(a) Valuation of assets*

The estimated fair market value of cash and short-term deposits, which are recorded at cost and generally held to maturity, is deemed to be equal to their book value.

Marketable securities are adjusted for unamortized premiums or discounts, where applicable, and are reported at the lower of their amortized costs including accrued interest and year-end market values. Purchases and sales of securities are recorded at the settlement dates.

Marketable securities, short-term deposits and Special Drawing Rights (SDR) include accrued interest. The SDR is a unit of account issued by the International Monetary Fund (IMF), and its value is determined in terms of a basket of four major currencies.

Gold and gold loans include accrued interest. Gold and gold loans are carried in the Account at a value of 35 SDR per fine ounce, which approximates cost and conforms to the value used in the *Public Accounts of Canada*.

*(b) Revenue from investments*

Revenue from investments is recorded on an accrual basis and includes interest earned, amortization of premiums and discounts, gains or losses on sales of securities, and revenues from securities lending activities. Write downs of securities to their year-end market values (if applicable) are recorded as a charge to investment revenue in the year in which they occur.

*(c) Gold*

Gold sales and net gains on gold sales are recorded at settlement dates. Interest revenue from gold loans is recorded on an accrual basis and is included in revenue. Premiums received on the sales of call options on gold are recorded in revenue.

**Exchange Fund Account—Continued**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002—Continued

## (d) Translation of foreign currencies and SDRs

Assets and liabilities denominated in foreign currencies and SDRs are translated into Canadian and US dollar equivalents at year-end market exchange rates, which were as follows:

	Canadian dollars	
	2002	2001
US dollar.....	1.57760	1.59280
Euro .....	1.65680	1.41820
Japanese yen.....	0.01328	0.01211
Special Drawing Rights.....	2.13699	1.99995

Foreign exchange gains or losses result from the translation of assets and advances denominated in foreign currencies and SDRs, as well as transactions throughout the year. Unrealized foreign exchange gains or losses on forward currency contracts are recorded in revenue as *Net foreign exchange gains (losses)*.

Investment revenue in foreign currencies and SDRs is translated into Canadian dollars at the foreign exchange rates prevailing on the date the revenue is earned.

## (e) Services received without charge

The Account receives without charge administrative, custodial and fiscal agency services from the Bank of Canada. Costs related to these services are not recognized in the financial statements.

## (f) Interest-free advances

The Account receives interest-free advances from the Consolidated Revenue Fund. Interest cost related to these advances is not recognized in the financial statements.

## 3. Official government operations

Official government operations involve purchases and sales of Canadian dollars against foreign currencies. These are undertaken to promote orderly conditions in the market for the Canadian dollar, or to meet net government requirements for foreign exchange. During 2001 and 2002, no transactions were aimed at moderating movements in the value of the Canadian dollar.

The majority, but not all, of Canada's official international reserves reside inside the Exchange Fund Account. The EFA accounts for approximately 90 percent of Canada's official reserves.

## 4. Risk management and financial instruments

The role of the EFA as principal repository of Canada's official international reserves determines the nature of its assets and of its operations, as well as its use of financial instruments.

To ensure that the EFA asset portfolio is prudently diversified with respect to credit risk, the investment guidelines specify limits on holdings by class of issuer (sovereign, agency, supranational or commercial financial institution) and type of instrument, while there are further limits on exposure to any one issuer or counter-party.

With respect to investment guidelines prescribed by the Minister of Finance, the EFA may hold debt issued in the designated currencies by highly rated sovereign governments, their agencies and by supranational organizations. Eligible issues must have an A- rating or better from two of four designated rating agencies (S&P, Moody's, Fitch, and Dominion Bond Rating Service) one of which must be either Moody's or S&P. The EFA may also make deposits and execute other transactions with commercial financial institutions meeting the same rating criteria, with the term to maturity of commercial deposits limited to three months or less.

**Exchange Fund Account—Continued**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002—Continued

Interest rate and foreign currency risks are managed by adopting a strategy of matching the duration structure and the currency of the EFA's assets and the related foreign currency borrowings of the Government of Canada.

Term structure of foreign currency investments	2002					2001	
	Par value				Unamortized premium/discount and accrued interest	Amortized cost	Amortized cost
	Under 6 months	6 to 12 months	1 to 5 years	Over 5 years			
(in millions of US dollars)							
<b>US dollar holdings</b>							
Government securities.....	3,125				(11)	3,114	3,233
Yield to maturity.....	1.52%						
Other securities.....	3,177	30	5,317	2,717	280	11,521	11,901
Yield to maturity.....	1.37%	2.46%	5.51%	5.48%			
Total US dollar holdings.....	6,302	30	5,317	2,717	269	14,635	15,134
<b>Other foreign currencies</b>							
<b>Euro holdings</b>							
Other securities.....	106	315	4,558	7,658	416	13,053	9,776
Yield to maturity.....	4.47%	4.89%	4.48%	4.85%			
Yen holdings							
Government securities.....			421	421	4	846	765
Yield to maturity.....			0.57%	1.91%			
Total other foreign currencies.....	106	315	4,979	8,079	420	13,899	10,541
Total assets .....	6,408	345	10,296	10,796	689	28,534	25,675

**5. Marketable securities denominated in US dollars**

Securities	2002					2001	
	Par value		Amortized cost		Par value	Amortized cost	
	US	US	CDN	US		US	CDN
(in millions of dollars)							
US Government .....	3,125		3,114		4,913	3,251	3,232
US Federal Agencies .....	4,366		4,415		6,965	7,772	7,746
Sovereign paper and International Institutions.....							12,337
Accrued interest .....	6,875		6,901		10,886	3,896	3,894
		205		324		262	6,203
	14,366		14,635		23,088	14,919	15,134
Estimated market value at year-end.....			15,316		24,163		24,799

Estimated market values are based on quoted market prices.

Loans of securities are effected on behalf of the Account by agents who guarantee the loans and obtain collateral of equal or greater value from their approved counter-parties

in these transactions. At year-end, a portion of the Account's holdings of US Government securities consisting of US\$ 2,200 million (par value) in Treasury Bills (US\$ 2,500 million in 2001) is being used in securities lending operations with financial institutions.

**Exchange Fund Account—Continued**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002—Continued

**6. Assets denominated in other foreign currencies**

Cash and short-term deposits			
2002		2001	
US	CDN	US	CDN
(in millions of dollars)			
Euro .....	65	102	46
Japanese yen .....	69	109	62
	134	211	108
			172

Marketable securities						
2002			2001			
Par value	Amortized cost	Par value	Amortized cost	US	US	CDN
US	US	CDN	US	US	US	CDN
(in millions of dollars)						
Euro .....	12,637	13,053	20,593	9,487	9,776	15,571
Japanese yen .....	842	846	1,335	760	765	1,219
	13,479	13,899	21,928	10,247	10,541	16,790
Estimated market value at year-end .....		14,597	23,028		10,618	16,913

Estimated market values are based on quoted market prices.

**7. Special Drawing Rights (SDR)**

2002				2001			
US	CDN	US	CDN	US	CDN	US	CDN
(in millions of dollars)							
Held at year-end .....	717	1,130	614	978			
Accrued interest .....	2	4	2	4			
	719	1,134	616	982			

**8. Gold and gold loans**

During the year, the Account sold 452,516 fine ounces of gold (132,119 fine ounces in 2001).

2002				2001			
US	CDN	US	CDN	US	CDN	US	CDN
(in millions of dollars)							
Held at year-end .....	23	37	41	66			
Gold loans .....	5	8	5	8			
Accrued interest on gold loans .....			1	1			
	28	45	47	75			

The year-end carrying values and market values (based on London fixings) of gold and gold loans, excluding accrued interest, are:

		2002		2001	
		Price per fine ounce	Total value in millions	Price per fine ounce	Total value in millions
Carrying value	—US\$ .....	47.41	28	43.95	47
	—Canadian \$	74.79	45	70.00	75
Market value	—US\$ .....	347.20	208	276.50	291
	—Canadian \$	547.74	328	440.41	463

**Exchange Fund Account—Concluded**

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002—*Concluded***9. Due to the Consolidated Revenue Fund (CRF)—  
Advances**

The Account is funded by advances from the CRF. These are limited to C\$ 60 billion by Order in Council dated April 26, 2001. At year-end, advances from (deposits with) the CRF consisted of:

	2002	2001
	(in millions of Canadian dollars)	
US dollars .....	32,852	38,027
Canadian dollars.....	(5,447)	(6,924)
Euro .....	20,132	15,162
Japanese yen .....	1,435	1,308
Special Drawing Rights.....	(1,304)	(1,220)
	<hr/> <u>47,668</u>	<hr/> <u>46,353</u>

The proceeds of Canada's borrowings in foreign currencies and allocations of SDR by the IMF have been advanced from the CRF to the Account. Subsequent repayments of foreign currency debt are made using the assets of the Account and result in reductions in the level of foreign currency advances. Interest payable by Canada on borrowings in foreign currencies and charges on SDR allocations to Canada are charged directly to the CRF.

Canadian dollar advances are required by the Account for the settlement of its purchases of foreign currencies. Sales of foreign currencies result in receipts of Canadian dollars that are remitted to the CRF, causing reductions in the level of outstanding Canadian dollar advances. Cumulative net sales of foreign currencies can result in overall net deposits of Canadian dollars by the Account with the CRF.

**10. Commitments***(a) Currency swaps*

The Account may enter into short-term currency swap arrangements with the Bank of Canada to assist the Bank in its cash management operations. There were no drawings under this facility in 2002 or 2001 and there were no commitments outstanding as at December 31, 2002 nor at December 31, 2001.

*(b) Gold options and forward contracts*

The Minister of Finance has authorized the sale of call options, as well as forward sales, on part of the Account's gold holdings.

Under gold options, the Account receives a premium against commitments to sell gold at predetermined prices. No gold is sold unless the holders of the options exercise their rights by the expiry dates. At year-end, the Account had commitments to sell 20,000 fine ounces of gold (120,000 fine ounces in 2001).

Under forward contracts, the Account is committed to sell gold at predetermined prices on future dates. At year-end, the Account had outstanding commitments to sell 205,516 fine ounces of gold (95,000 fine ounces of gold in 2001) for a total value of US\$ 66 million (US\$ 27 million in 2001). The value dates of these contracts are February 24<sup>th</sup>, April 11<sup>th</sup> and June 24<sup>th</sup>, 2003.

*(c) Foreign currency contracts*

The following table presents the fair value of foreign currency contracts with contractual amounts outstanding at December 31:

	2002	2001		
	Contractual value	Fair value	Contractual value	Fair value
	(in millions of Canadian dollars)			
Forward sales .....	2,975	(29)	2,321	(14)
Forward purchases.....	2,991	29	2,339	14

The estimated fair values of foreign exchange contracts are calculated using the year-end exchange rates. Foreign exchange contracts that have a positive fair value are those contracts that, if settled immediately, would result in a gain. Conversely, immediate settlement of a contract with a negative fair value would result in a loss.

# SECTION 9

2002-2003

*PUBLIC ACCOUNTS OF CANADA*

## Loans, Investments and Advances

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## LOANS, INVESTMENTS AND ADVANCES

Loans, investments and advances is a category of financial claims represented by debt instruments and ownership interests held by the Government of Canada acquired through the use of parliamentary appropriations, except for the portion of the investment balances representing adjustments for the equity of enterprise Crown corporations and other government business enterprise. Some of these appropriations permit repayments to be used for further loans and advances. Many appropriations are non-lapsing, that is, unexpended balances may be carried forward from year to year. Details of the use of non-budgetary appropriations, for loans, investments and advances, can be found in the ministerial sections of Volume II (Part I).

The investment in enterprise Crown corporations and other government business enterprises is accounted for under the modified equity method and is carried at cost which is adjusted for the annual profits or losses of the enterprises and reduced by any dividends paid by the corporations to the Government. Under the modified equity approach, the accounting policies of the enterprise Crown corporations and other government business enterprises are not adjusted to conform to the Government's accounting policies. The Government also reports any amounts receivable from or payable to these corporations.

Other loans, investments and advances are recorded at cost and are subject to annual valuation to reflect reductions from the recorded value to the estimated realizable value. Foreign currency transactions are translated and recorded in Canadian

dollar equivalents at the exchange rates prevailing at the transaction dates. Loans, investments and advances resulting from foreign currency transactions are, in turn, reported at year-end closing rates of exchange; net gains and losses related to these sovereign loans are presented with the return on investments from these loans under other program revenues.

The allowance established to reflect reductions from the recorded value to the estimated realizable value of financial claims held by the Government has been authorized by the Minister of Finance and the President of the Treasury Board, under subsection 63(2) of the *Financial Administration Act*.

Revenues received during the year on loans, investments and advances, are credited to other revenues; details are provided in Section 3 of this volume and in Section 11 of Volume II (Part II).

Table 9.1 presents the transactions and year-end balances of loans, investments and advances by category. Chart 9A presents the total loans, investments and advances by category for the current fiscal year, while Chart 9B compares the total loans, investments and advances for the last ten fiscal years.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

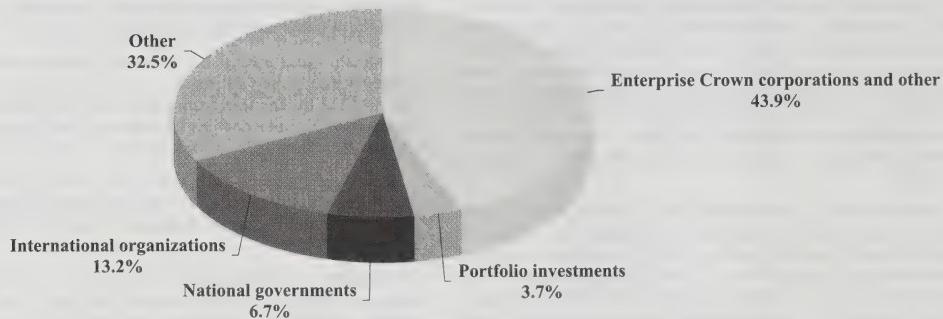
**TABLE 9.1**  
LOANS, INVESTMENTS AND ADVANCES

	April 1/2002 <sup>(1)</sup>	Payments and other charges	Receipts and other credits	March 31/2003
	\$	\$	\$	\$
Enterprise Crown corporations and other government business enterprises, Table 9.2.....	13,687,939,743	1,297,202,969	430,434,460	14,554,708,252
Portfolio investments, Table 9.11 .....	1,240,254,680			1,240,254,680
National governments including developing countries,				
Table 9.12 .....	2,902,588,110	242,257,868	926,115,838	2,218,730,140
International organizations, Table 9.13 .....	4,439,375,559	852,644,489	913,807,344	4,378,212,704
Provincial and territorial governments, Table 9.14 .....	1,999,679,037	709,455,034	515,590,353	2,193,543,718
Other loans, investments and advances, Table 9.15 .....	6,773,610,937	4,090,268,783	2,263,581,899	8,600,297,821
Less: allowance for valuation .....	31,043,448,066	7,191,829,143	5,049,529,894	33,185,747,315
	9,487,418,965	409,412,415	360,148,163	9,438,154,713
Total.....	21,556,029,101	7,601,241,558	5,409,678,057	23,747,592,602

<sup>(1)</sup> Certain comparative figure have been restated to reflect the current year's presentation.

### CHART 9A

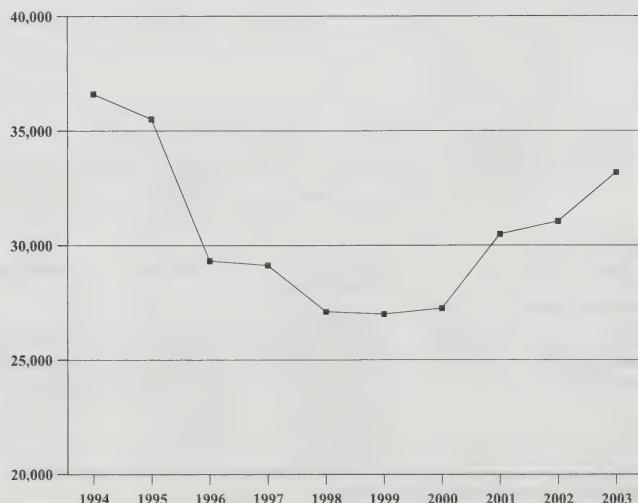
LOANS, INVESTMENTS AND ADVANCES BY CATEGORY AT MARCH 31, 2003<sup>(1)</sup>



<sup>(1)</sup> Before the allowance for valuation

### CHART 9B

LOANS, INVESTMENTS AND ADVANCES<sup>(1)</sup> AT MARCH 31  
(in millions of dollars)



<sup>(1)</sup> Before the allowance for valuation

## Enterprise Crown Corporations and Other Government Business Enterprises

Loans and advances to, and investments in, enterprise Crown corporations and other government business enterprises represent the balance of financial claims held by the Government against corporations for working capital, capital expenditures and other purposes, investment in the capital stock of corporations, and loans and advances to corporations for re-lending.

A Crown corporation means a parent Crown corporation or a wholly-owned subsidiary; a parent Crown corporation is wholly-owned directly by the Crown; a wholly-owned subsidiary is wholly-owned by one or more parent Crown corporations directly or indirectly through any number of subsidiaries.

Enterprise Crown corporations are a type of government business enterprises that are defined as those Crown corporations which are not dependent on parliamentary appropriations and whose principal activity and source of revenue is the sale of goods and services to outside parties. These include selected Crown corporations listed in Part I, all the Crown corporations listed in Part II of Schedule III of the *Financial Administration Act* and the Bank of Canada. Although a Crown corporation, the Canada Pension Plan Investment Board is not part of the Government reporting entity since its mandate is to manage an investment portfolio on behalf of the Canada Pension Plan which is itself excluded for the reporting entity.

There is also a number of self-sustaining government business enterprises that are not considered Crown corporations within the meaning of the *Financial Administration Act*, but

which are owned or controlled by the Government and ultimately accountable to Parliament through a Minister of the Crown for the conduct of their affairs. These are referred to as "other government business enterprises" and include the Canadian Wheat Board and the various Port Authorities.

Most of the enterprise Crown corporations and other government business enterprises are agents of Her Majesty for the conduct of all or part of their activities. This status is granted in one of the following ways:

- (i) designation by Parliament, through a special act of incorporation;
- (ii) statutory authorization; or,
- (iii) proclamation by the *Government Corporations Operation Act*.

Further information on the business and activities of all parent Crown corporations and information on all Crown corporations and other corporate interest of Canada is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*. Although no longer included as part of this Report, a compilation of the audited financial statements of the parent Crown corporations is also available upon request.

Table 9.2 presents a summary of the balances and transactions for the various types of loans, investments and advances which were made to enterprise Crown corporations and other government business enterprises.

**TABLE 9.2**

### ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

	April 1/2002 <sup>(1)</sup>	Payments and other charges	Receipts and other credits	March 31/2003
	\$	\$	\$	\$
<b>Investments—</b>				
Investments and accumulated profits/losses (Table 9.4) .....	7,961,311,000	1,270,785,000	122,975,051	9,109,120,949
<b>Loans and advances—</b>				
Canada Mortgage and Housing Corporation—				
Housing .....	3,730,571,668		101,964,619	3,628,607,049
Real estate .....	79,740,555		13,771,770	65,968,785
Joint projects .....	1,080,521,293		41,088,330	1,039,432,963
Student housing projects .....	247,193,106		9,105,416	238,087,690
Sewage treatment projects .....	458,860,226		47,494,317	411,365,909
Assisted home ownership .....	28,859,514		4,286,920	24,572,594
	5,625,746,362		217,711,372	5,408,034,990
Other—				
Canada Lands Company Limited .....	35,441,381	26,417,969	24,307,037	37,552,313
Canadian Dairy Commission .....	55,441,000		55,441,000	
Canadian Commercial Corporation .....	10,000,000		10,000,000	
	100,882,381	26,417,969	89,748,037	37,552,313
Total—Loans and advances .....	5,726,628,743	26,417,969	307,459,409	5,445,587,303
Total.....	13,687,939,743	1,297,202,969	430,434,460	14,554,708,252

<sup>(1)</sup> Certain comparative figure have been restated to reflect the current year's presentation.

The results and financial position and enterprise Crown corporations and other government business enterprises are detailed at Tables 9.3 to 9.5. These tables also show the breakdown of the equity of each corporation between accumulated profits and losses, contributed surplus and capital stock, as well as the details of the Government's investment under the modified equity accounting method.

The Government of Canada has also made loans and advances to various enterprise Crown corporations and other government business enterprises. The following discusses loans which were outstanding as of March 31, 2003 or 2002.

### **Canada Mortgage and Housing Corporation**

The Corporation was incorporated, on January 1, 1946, by the *Canada Mortgage and Housing Corporation Act*. The Corporation's mandate, as stated in the *National Housing Act*, is to promote the construction of new houses, the repair and modernization of existing houses, and the improvement of housing and living conditions. Advances have been made to the Canada Mortgage and Housing Corporation to support various programs undertaken by the corporation.

#### *Housing*

Advances made for moderate to low income housing bear interest at rates from 4.125 percent to 16.10 percent per annum, and are repayable over 1 to 50 years, with instalments between June 30, 2003 and March 31, 2037.

#### *Real estate*

Advances made for the acquisition and development of real estate bear interest at rates from 9.50 percent to 15 percent per annum, and are repayable over 50 years, with the final instalment on June 30, 2036.

#### *Joint projects*

Advances made to undertake housing projects jointly with the provinces bear interest at rates from 3 percent to 17.96 percent per annum, and are repayable over 1 to 50 years, with instalments between June 30, 2003 and June 30, 2038.

#### *Student housing projects*

Advances made for student housing projects bear interest at rates from 5 percent to 10.05 percent per annum, and are repayable over 20 to 50 years, with instalments between June 30, 2003 and March 31, 2030.

#### *Sewage treatment projects*

Advances made to assist in the establishment or expansion of sewage treatment projects and the construction of trunk storm sewers bear interest at rates from 5 percent to 10.38 percent per annum, and are repayable over 20 to 50 years, with instalments between June 30, 2003 and March 31, 2023.

#### *Assisted home ownership*

Advances made for owner-occupied housing bear interest at rates from 8.58 percent to 8.75 percent per annum, and are repayable over 18 to 20 years, with instalments between June 30, 2003 and December 31, 2008.

### **Canada Lands Company Limited**

Canada Lands Company Limited (originally Public Works Lands Company Limited) was incorporated under the *Companies Act* in 1956 and was continued under the *Canada Business Corporations Act*. The Corporation conducts its business through Canada Lands Company CLC Limited (CLC), its principal wholly-owned subsidiary. CLC's objective is to carry out a commercially-oriented and orderly disposal program of certain Government real properties and the management of certain select properties. In undertaking this objective, CLC may manage, develop and dispose of real properties, either in the capacity of owner or as agent of the Government.

CLC has acquired an interest in a number of real properties from the Government in consideration for the issuance of promissory notes, which bear no interest and are repayable from the proceeds of the sale of the properties in respect of which they were issued. The notes were discounted using the Consolidated Revenue Fund lending rate applicable to Crown corporations and recorded at their discounted value.

During the year, new notes have been issued for an amount of \$18.2 million. An amount of \$16.4 million was repaid during the year and an amount of \$8.2 million was amortized to income. The balance in the account represents the balance of the notes receivable net of the corresponding unamortized discount.

### **Canadian Dairy Commission**

The Corporation was established by the *Canadian Dairy Commission Act*, to provide, to efficient producers of milk and cream, the opportunity of obtaining a fair return for their labour and investment, and to provide, to consumers of dairy products, a continuous and adequate supply of high quality dairy products.

Loans have been made to the Corporation, to finance its dealings in dairy products. The total amount authorized to be outstanding at any time is \$300,000,000.

The loans bear interest at rates from 2.0264 percent to 3.1208 percent per annum, and are repayable within 1 year.

### **Canadian Commercial Corporation**

The Corporation was established in 1946 by an Act of Parliament, to facilitate contracts on behalf of Canadian exporters with their foreign customers.

The Corporation has authority to draw loans from the Consolidated Revenue Fund, subject to Governor-in-Council and Minister of Finance approvals, in amounts up to a total of \$10,000,000 as required to supplement its working capital. During the year 2001-2002, a loan of \$10,000,000 was made to the Corporation under the provision of the Financial Administration Act and section 11(2) of the *Canadian Commercial Act*. The loan bears interest at the rate in effect as determined by the Minister of Finance.

### **Interest paid to the Government**

Interest paid to the Government of Canada with respect to these loans in the years ended March 31, 2003 and 2002 is as follows:

	2003	2002
(in millions of dollars)		
Corporation—		
Canada Mortgage and Housing Corporation .....	502.4	520.4
Canadian Dairy Commission.....	1.2	2.1
Canadian Commercial Corporation .....	0.1	0.1
Total.....	<u>503.7</u>	<u>522.6</u>

## Summary Financial Statements of Enterprise Crown Corporations and Other Government Business Enterprises

The following tables display details of the assets, liabilities, revenues and expenses of enterprise Crown corporations and other government business enterprises.

Tables 9.3 to 9.5 present the assets, liabilities, revenues, expenses and changes to the equity of enterprise Crown corporations and other government business enterprises grouped in five segments. The segment of competitive, self-sustaining corporations consists of those corporations named in Part II of Schedule III of the *Financial Administration Act* and of other competitive and self-sustaining government business enterprises.

For those corporations having year ends other than March 31, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements.

The tables summarize the financial transactions and results of operations of each enterprise Crown corporation and other government business enterprises in accordance with its own respective accounting policies. Most enterprise Crown corporations follow the generally accepted accounting principles used by private sector companies, as outlined in the *Handbook of the Canadian Institute of Chartered Accountants*.

Financial assets include cash, receivables, loans and investments. Capital assets, inventories and prepayments represent the unexpensed portion of non-financial assets such as buildings, machinery and equipment in use or under construction, inventories and other items of expenditure which will be expensed as these assets are used. Financial assets and liabilities in respect of the Government and Crown corporations represent the unpaid balances arising from financing transactions and normal operating activities. Borrowings from outside parties represent amounts repayable to financial institutions and other investors. Other liabilities are amounts due in respect of purchases, employee termination and pension benefits, accrued interest on borrowings, long-term capital leases and sundry accounts payable.

Revenues include financial assistance received or receivable from the Government in respect of the current year's operations, when applicable. Expenses are segregated between outside parties, and Government and Crown corporations. Revenues and expenses are used to determine the net income or loss of the corporation. Adjustments include prior period adjustments and other miscellaneous items as recorded by the corporations. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as equity contributions provided by the Government.

These tables present consolidated financial information on parent enterprise Crown corporations financial information on unconsolidated wholly-owned subsidiaries and other government business enterprises.

Enterprise Crown corporations and other government business enterprises are also categorized as being either agents or non-agents of the Crown. Agent status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In some situations, agent status may be restricted to certain designated activities of a corporation.

A summary of financial assistance under Government budgetary appropriations to enterprise Crown corporations and other government business enterprises for the year ended March 31, 2003 is provided in Table 9.10.

**TABLE 9.3**

## SUMMARY COMBINED FINANCIAL STATEMENTS OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES BY SEGMENT

(in thousands of dollars)

	Competitive, self-sustaining	Bank of Canada	Lending and insurance	Marketing	Other	Total
<b>ASSETS AND LIABILITIES</b>						
AS AT MARCH 31, 2003						
Assets						
Financial—						
Outside parties .....	1,277,716	844,022	61,982,482	7,531,282	27,794	71,663,296
Government and Crown corporations .....	1,449,089	39,981,710	4,449,241	818	16,745	45,897,603
Total financial assets .....	2,726,805	40,825,732	66,431,723	7,532,100	44,539	117,560,899
Non-financial assets .....	4,134,639	233,659	652,338	937,312	13,296	5,971,244
Total assets as reported .....	6,861,444	41,059,391	67,084,061	8,469,412	57,835	123,523,143
Elimination adjustments .....	37,474		(120,461)			(82,987)
Total assets .....	6,898,918	41,059,391	66,963,600	8,469,412	57,835	123,449,156
Liabilities						
Outside parties—						
Borrowings .....	437,392		45,811,174	7,207,580	3,574	53,459,720
Bank of Canada notes in circulation and amounts owing to depositors .....		39,270,670				39,270,670
Other liabilities .....	3,206,643	391,398	9,022,618	1,216,483	369,752	14,206,894
Government and Crown corporations .....	213,993	1,367,323	5,670,244	4,572	146,619	7,402,751
Total liabilities .....	3,858,028	41,029,391	60,504,036	8,428,635	519,945	114,340,035
Equity of Canada as reported .....	3,003,416	30,000	6,580,025	40,777	(462,110)	9,192,108
Elimination adjustments .....	37,474		(120,461)			(82,987)
Equity of Canada .....	3,040,890	30,000	6,459,564	40,777	(462,110)	9,109,121
Total liabilities and equity .....	6,898,918	41,059,391	66,963,600	8,469,412	57,835	123,449,156
Contingent liabilities .....	5,338		2,795,152			2,800,490
Contractual commitments .....	1,478,283		4,921,746	22,622	5,029	6,427,680
<b>REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY</b>						
FOR THE YEAR ENDED MARCH 31, 2003						
Revenues						
Outside parties .....	6,858,000		4,986,180	4,841,979	118,002	16,804,161
Government and Crown corporations—						
Financial assistance .....				16,631	46,536	63,167
Other .....	518,173	1,807,548	249,766			2,575,487
Total revenues .....	7,376,173	1,807,548	5,235,946	4,858,610	164,538	19,442,815
Expenses						
Outside parties .....	6,921,956		3,628,427	4,838,809	141,871	15,531,063
Government and Crown corporations .....	237,600		761,751	7,320	6,595	1,013,266
Total expenses .....	7,159,556		4,390,178	4,846,129	148,466	16,544,329
Net income/loss(-) for the year .....	216,617	1,807,548	845,768	12,481	16,072	2,898,486
Equity of Canada, beginning of the year .....	2,918,383	30,000	5,556,440	40,670	(478,182)	8,067,311
Adjustments .....	52,748			(12,374)		40,374
Elimination adjustments .....	37,474		(120,461)			(82,987)
Equity transactions with the Government—						
Dividends .....	(61,366)	(1,807,548)	(12,183)			(1,881,097)
Capital .....	(122,966)		190,000			67,034
Equity of Canada, end of the year .....	3,040,890	30,000	6,459,564	40,777	(462,110)	9,109,121

TABLE 9.4

## FINANCIAL POSITION OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES — ASSETS AND LIABILITIES AS AT MARCH 31, 2003

(in thousands of dollars)

			Assets		
	Financial				
	Outside parties	Government and Crown corporations		Capital assets, inventories and prepayments	
<b>Enterprise Crown corporations and other government business enterprises<sup>(1)</sup></b>					<b>Total assets</b>
<b>Competitive, self-sustaining</b>					
Blue Water Bridge Authority <sup>(2)</sup> .....	16,793	44,540	108,686	170,019	
Canada Development Investment Corporation.....	13,001	63,192	—	76,193	
Canada Hibernia Holding Corporation.....	49,075	21,000	313,135	383,210	
Canada Lands Company Limited.....	129,801	1,169	210,915	341,885	
Canada Post Corporation.....	833,033	1,183,090	2,008,772	4,024,895	
Halifax Port Authority <sup>(3)</sup> .....	6,896	11,912	88,461	107,269	
Montreal Port Authority <sup>(3)</sup> .....	11,549	68,997	205,381	285,927	
Quebec Port Authority <sup>(3)</sup> .....	39,941	195	84,182	124,318	
Ridley Terminals Inc.....	3,167	25	13,083	16,275	
Royal Canadian Mint.....	27,101	3,066	118,163	148,330	
Saint John Port Authority <sup>(3)</sup> .....	8,047	10,917	59,924	78,888	
Toronto Port Authority <sup>(3)</sup> .....	19,321	—	49,333	68,654	
Vancouver Port Authority <sup>(3)</sup> .....	28,670	3,379	494,282	526,331	
Other Canada Port Authorities <sup>(3)(4)</sup> .....	91,321	37,607	380,322	509,250	
<i>Total—Competitive, self-sustaining</i> .....	<i>1,277,716</i>	<i>1,449,089</i>	<i>4,134,639</i>	<i>6,861,444</i>	
<b>Bank of Canada</b> .....	844,022	39,981,710	233,659	41,059,391	
<b>Lending and Insurance</b>					
Business Development Bank of Canada.....	7,320,606	74,977	395,776	7,791,359	
Canada Deposit Insurance Corporation.....	305,380	795,696	1,248	1,102,324	
Canada Mortgage and Housing Corporation.....	16,815,232	673,820	76,967	17,566,019	
Insurance Programs.....	5,572,934	2,331,336	83,043	7,987,313	
Mortgage Backed Securities Guarantee Fund.....	98,519	82,685	—	181,204	
Export Development Canada.....	23,017,997	383,923	62,761	23,464,681	
Farm Credit Canada.....	8,851,814	106,804	32,543	8,991,161	
<i>Total—Lending and insurance</i> .....	<i>61,982,482</i>	<i>4,449,241</i>	<i>652,338</i>	<i>67,084,061</i>	
<b>Marketing</b>					
Canadian Commercial Corporation.....	416,322	—	2,986	419,308	
Canadian Dairy Commission—					
Marketing operations.....	17,390	—	45,402	62,792	
Canadian Wheat Board, The.....	7,090,288	818	867,392	7,958,498	
Freshwater Fish Marketing Corporation.....	7,282	—	21,532	28,814	
<i>Total—Marketing</i> .....	<i>7,531,282</i>	<i>818</i>	<i>937,312</i>	<i>8,469,412</i>	
<b>Other</b>					
Atlantic Pilotage Authority.....	2,329	1,776	2,793	6,898	
Cape Breton Development Corporation.....	11,577	14,536	4,213	30,326	
Great Lakes Pilotage Authority.....	3,842	—	193	4,035	
Laurentian Pilotage Authority.....	4,448	—	2,376	6,824	
Pacific Pilotage Authority.....	5,598	433	3,721	9,752	
<i>Total—Other</i> .....	<i>27,794</i>	<i>16,745</i>	<i>13,296</i>	<i>57,835</i>	
<b>Total</b> .....	<b>71,663,296</b>	<b>45,897,603</b>	<b>5,971,244</b>	<b>123,532,143</b>	
Elimination adjustments.....			(82,987)	(82,987)	
<b>Total</b> .....	<b>71,663,296</b>	<b>45,814,616</b>	<b>5,971,244</b>	<b>123,449,156</b>	

<sup>(1)</sup> All enterprise Crown corporations listed in this table are parent Crown corporations except the Great Lakes Pilotage Authority. Although a Crown corporation, Canada Pension Plan Investment Board is designed to operate at arm's length from the Government and manages, on behalf of the Canada Pension Plan, funds not belonging to the Government; therefore, it is considered external to the Government reporting entity. The Public Sector Pension Investment Board is not included in the above list since its activities are included in the Government's results through pension accounting.

<sup>(2)</sup> The Blue Water Bridge Authority became a federal Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* on April 26, 2002.

<sup>(3)</sup> Canada Port Authorities, which are not Crown corporations but considered government business enterprises, are agents of the Crown for their port activities.

<sup>(4)</sup> Consists of the combined figures of the Canada Port Authorities of Belledune, Fraser River, Nanaimo, North Fraser, Port Alberni, Prince Rupert, Saguenay, Sept-Îles, St. John's, Thunder Bay, Trois-Rivières and Windsor.

Liabilities									
Outside parties		Government and Crown corporations		Total liabilities	Accumulated profits/(losses)	Contributed surplus	Capital stock	Equity of Canada	Total liabilities and equity
Borrowings	Other								
109,082	4,306			113,388	56,631			56,631	170,019
	11,079			11,079	(678,071)	743,184	1	65,114	76,193
	77,893	41,982		119,875	263,335			263,335	383,210
	58,888	42,717		101,605	95,199	145,081		240,280	341,885
113,711	2,920,836	30,129		3,064,676	(194,952)	1,155,171		960,219	4,024,895
6,400	3,834	457		12,691	43,721	50,857		94,578	107,269
	26,330	695		27,025	21,639	237,263		258,902	285,927
29,730	6,556	55,616		91,902	10,321	22,095		32,416	124,318
62,913	2,460	99		65,472	(185,239)		136,042	(49,197)	16,275
24,422	29,287	5,000		58,709	49,621		40,000	89,621	148,330
	4,581			4,581	12,648	61,659		74,307	78,888
	7,172			7,172	61,482			61,482	68,654
	24,391	36,896		61,287	314,785	150,259		465,044	526,331
91,134	27,030	402		118,566	185,697	204,987		390,684	509,250
437,392	3,206,643	213,993		3,858,028	56,817	2,770,556	176,043	3,003,416	6,861,444
	39,662,068	1,367,323		41,029,391		25,000	5,000	30,000	41,059,391
6,263,039	342,877	15,426		6,621,342	353,839	27,778	788,400	1,170,017	7,791,359
	563,016	189		563,205	539,119			539,119	1,102,324
11,091,163	869,983	5,521,337		17,482,483	58,536	25,000		83,536	17,566,019
	6,094,657	124,434		6,219,091	1,768,222			1,768,222	7,987,313
	74,636	8,308		82,944	98,260			98,260	181,204
20,374,911	1,011,120	550		21,386,581	1,094,900		983,200	2,078,100	23,464,681
8,082,061	66,329			8,148,390	335,046	507,725		842,771	8,991,161
45,811,174	9,022,618	5,670,244		60,504,036	4,247,922	560,503	1,771,600	6,580,025	67,084,061
	378,531			378,531	12,777	28,000		40,777	419,308
181	62,611			62,792					62,792
7,193,399	760,527	4,572		7,958,498					7,958,498
14,000	14,814			28,814					28,814
7,207,580	1,216,483	4,572		8,428,635	12,777	28,000		40,777	8,469,412
	2,266			2,266	2,328	2,304		4,632	6,898
	353,655	146,619		500,274	(469,948)			(469,948)	30,326
	2,934			2,934	1,019	82		1,101	4,035
2,586	6,305			8,891	(4,546)	2,479		(2,067)	6,824
	988	4,592		5,580	3,366	806		4,172	9,752
	3,574	369,752	146,619	519,945	(467,781)	5,671		(462,110)	57,835
53,459,720	53,477,564	7,402,751		114,340,035	3,849,735	3,389,730	1,952,643	9,192,108	123,532,143
					(82,978)	(9)		(82,987)	(82,987)
53,459,720	53,477,564	7,402,751		114,340,035	3,766,757	3,389,721	1,952,643	9,109,121	123,449,156

TABLE 9.5

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES FOR THE YEAR ENDED MARCH 31, 2003

(in thousands of dollars)

Enterprise Crown corporations and other government business enterprises	Outside parties	Revenues		
		Government and Crown corporations		Total
		Financial assistance <sup>(1)</sup>	Other	
<b>Competitive, self-sustaining</b>				
Blue Water Bridge Authority.....	12,569			12,569
Canada Development Investment Corporation.....	364			364
Canada Hibernia Holding Corporation.....	256,877			256,877
Canada Lands Company Limited.....	113,208	5,587		118,795
Canada Post Corporation.....	5,920,445	431,425		6,351,870
Halifax Port Authority.....	20,215	223		20,438
Montreal Port Authority.....	56,608	8,371		64,979
Quebec Port Authority.....	14,483	559		15,042
Ridley Terminals Inc.....	15,951			15,951
Royal Canadian Mint.....	279,033	68,308		347,341
Saint John Port Authority.....	9,960	701		10,661
Toronto Port Authority.....	17,835			17,835
Vancouver Port Authority.....	97,910	471		98,381
Other Canada Port Authorities.....	42,542	2,528		45,070
<i>Total—Competitive, self-sustaining</i> .....	<i>6,858,000</i>	<i>518,173</i>		<i>7,376,173</i>
<b>Bank of Canada</b> .....				1,807,548
<b>Lending and insurance</b>				
Business Development Bank of Canada.....	565,955		6	565,961
Canada Deposit Insurance Corporation.....	95,187	20,618		115,805
Canada Mortgage and Housing Corporation.....	999,266	91,700		1,090,966
Insurance Programs.....	1,009,542	106,820		1,116,362
Mortgage Backed Securities Guarantee Fund.....	31,762	3,199		34,961
Export Development Canada.....	1,715,849	23,927		1,739,776
Farm Credit Canada.....	568,619	3,496		572,115
<i>Total—Lending and insurance</i> .....	<i>4,986,180</i>	<i>249,766</i>		<i>5,235,946</i>
<b>Marketing</b>				
Canadian Commercial Corporation.....	1,240,804	16,631		1,257,435
Canadian Dairy Commission.....				
Marketing operations.....	253,397			253,397
Canadian Wheat Board, The.....	3,282,092			3,282,092
Freshwater Fish Marketing Corporation.....	65,686			65,686
<i>Total—Marketing</i> .....	<i>4,841,979</i>	<i>16,631</i>		<i>4,858,610</i>
<b>Other</b>				
Atlantic Pilotage Authority.....	14,874			14,874
Cape Breton Development Corporation.....	2,288	46,536		48,824
Great Lakes Pilotage Authority.....	12,829			12,829
Laurentian Pilotage Authority.....	46,802			46,802
Pacific Pilotage Authority.....	41,209			41,209
<i>Total—Other</i> .....	<i>118,002</i>	<i>46,536</i>		<i>164,538</i>
<b>Total</b> .....	<b>16,804,161</b>	<b>63,167</b>	<b>2,575,487</b>	<b>19,442,815</b>
<b>Elimination adjustments</b> .....				
<b>Total net results</b> .....	<b>16,804,161</b>	<b>63,167</b>	<b>2,575,487</b>	<b>19,442,815</b>
<b>Less equity adjustments</b> .....				
<b>Share of annual profit</b> .....				

The accompanying notes for Table 9.4 are an integral part of this table.

<sup>(1)</sup> This column records only that portion of financial assistance received or receivable from the federal Government that has been credited to operations. Additional amounts representing capital and operating appropriations received by the corporations are included in "Equity transactions with Government". Revenues "Other" include amounts generated from the sale of goods and services, investment income as well as grants where the corporations qualify as a member of a general class of recipients. The total financial assistance accounted for by the corporations during the year does not agree with the amount reported in Table 9.10 because of differences resulting from the different accounting policies followed.

Outside parties	Expenses		Net income/or loss(–)	Equity beginning of year	Equity adjustments and other	Equity transactions with the Government		Equity end of year
	Government and Crown corporations	Total				Dividends	Capital	
8,808		8,808	3,761		52,870			56,631
19,484		19,484	(19,120)	84,234				65,114
107,556	35,582	143,138	113,739	312,562		(40,000)	(122,966)	263,335
104,907	1,035	105,942	12,853	232,027		(4,600)		240,280
6,094,040	188,363	6,282,403	69,467	907,452		(16,700)		960,219
13,565	578	14,143	6,295	88,283				94,578
54,147	5,267	59,414	5,565	253,337				258,902
12,831	452	13,283	1,759	30,657				32,416
20,412	490	20,902	(4,951)	(44,246)				(49,197)
355,039	(1,659)	353,380	(6,039)	95,660				89,621
9,351	224	9,575	1,086	73,221				74,307
16,716		16,716	1,119	60,363				61,482
66,644	6,267	72,911	25,470	439,574				465,044
38,456	1,001	39,457	5,613	385,259	(122)	(66)		390,684
6,921,956	237,600	7,159,556	216,617	2,918,383	52,748	(61,366)	(122,966)	3,003,416
			1,807,548	30,000		(1,807,548)		30,000
531,446	2,635	534,081	31,880	960,320		(12,183)	190,000	1,170,017
68,908	(5,763)	63,145	52,660	486,459				539,119
668,717	407,235	1,075,952	15,014	68,522				83,536
242,204	334,841	577,045	539,317	1,228,905				1,768,222
4,615	12,343	16,958	18,003	89,257				98,260
1,639,828	7,887	1,647,715	92,061	1,986,039				2,078,100
472,709	2,573	475,282	96,833	745,938				842,771
3,628,427	761,751	4,390,178	845,768	5,556,440		(12,183)	190,000	6,580,025
1,251,086	6,242	1,257,328	107	40,670				40,777
239,945	1,078	241,023	12,374		(12,374)			
3,282,092		3,282,092						
65,686		65,686						
4,838,809	7,320	4,846,129	12,481	40,670	(12,374)			40,777
14,713		14,713	161	4,471				4,632
26,224	6,595	32,819	16,005	(485,953)				(469,948)
14,378		14,378	(1,549)	2,650				1,101
46,212		46,212	590	(2,657)				(2,067)
40,344		40,344	865	3,307				4,172
141,871	6,595	148,466	16,072	(478,182)				(462,110)
15,531,063	1,013,266	16,544,329	2,898,486	8,067,311	40,374	(1,881,097)	67,034	9,192,108
				(106,000)	23,022		(9)	(82,987)
15,531,063	1,013,266	16,544,329	2,898,486	7,961,311	63,396	(1,881,097)	67,025	9,109,121
			63,396	(63,396)				
			2,961,882	7,961,311		(1,881,097)	67,025	9,109,121

## Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.6 summarizes the borrowing transactions by agent and non-agent enterprise Crown corporations and other government business enterprises.

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent enterprise Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the accounts of Canada net of borrowings expected to be repaid directly by these corporations.

Borrowings by non-agent enterprise Crown corporations and other government business enterprises are not on behalf of Her Majesty, but may, at times be guaranteed by the Government.

As at March 31, 2003, an allowance for borrowings of enterprise Crown corporations and other government business enterprises was established at \$2,979 million.

**TABLE 9.6**

### BORROWINGS BY ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

	Balance April 1/2002	Borrowings and other credits	Repayments and other charges	Balance March 31/2003
<b>Borrowings by agent enterprise Crown corporations</b>				
Business Development Bank of Canada .....	5,726,269	17,268,502	16,731,732	6,263,039
Canada Mortgage and Housing Corporation .....	11,371,908	5,888,939	6,169,684	11,091,163
Canada Post Corporation .....	63,079	53,459	2,827	113,711
Canadian Dairy Commission (Marketing) .....	439	8,193	8,451	181
Canadian Wheat Board, The <sup>(1)</sup> .....	397,230		19,187	378,043
Export Development Canada .....	20,480,723	60,834,022	60,939,834	20,374,911
Farm Credit Canada .....	7,095,562	9,189,418	8,202,919	8,082,061
Freshwater Fish Marketing Corporation .....	11,519	14,000	11,519	14,000
Royal Canadian Mint .....	28,120		3,698	24,422
	45,174,849	93,256,533	92,089,851	46,341,531
<b>Borrowings by non-agent enterprise Crown corporations and other government business enterprises</b>				
Blue Water Bridge Authority .....		110,000	918	109,082
Canadian Wheat Board, The <sup>(1)</sup> .....	7,749,443	26,167,315	27,101,402	6,815,356
Halifax Port Authority <sup>(2)</sup> .....	6,800		400	6,400
Laurentian Pilotage Authority .....	4,115		1,529	2,586
Pacific Pilotage Authority .....	1,000	500	512	988
Quebec Port Authority <sup>(2)</sup> .....	23,265	6,465		29,730
Ridley Terminals Inc. ....	64,298		1,385	62,913
Vancouver Port Authority <sup>(2)</sup> .....	13,679		13,679	
Other Canada Port Authorities <sup>(2)</sup> .....	66,011	36,838	11,715	91,134
Total .....	7,928,611	26,321,118	27,131,540	7,118,189
Borrowings expected to be repaid by enterprise Crown corporations and other government business enterprises .....	53,103,460	119,577,651	119,221,391	53,459,720
Allowance for borrowings of enterprise Crown corporations and other government business enterprises expected to be repaid by the Government and reported on the Statement of Financial Position .....	49,582,460	119,577,651	118,679,391	50,480,720
	3,521,000		542,000	2,979,000

<sup>(1)</sup> On December 31, 1998 The Canadian Wheat Board ceased to be an agent of Her Majesty and a Crown corporation under the *Financial Administration Act*.

<sup>(2)</sup> The Authority is an agent of the Crown only for its port activities. It is considered a non-agent of the Crown for borrowings purposes.

## Maturity and Currency of Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.7 summarizes the maturity and currency of borrowings by agent and non-agent enterprise Crown corporations and other government business enterprises, as at March 31, 2003.

**TABLE 9.7**

### MATURITY AND CURRENCY OF BORROWINGS BY ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

Year of maturity	Agent	Non-agent	Total
2004 .....	16,083,220	6,619,097	22,702,317
2005 .....	7,313,717	9,463	7,323,180
2006 .....	4,733,088	9,729	4,742,817
2007 .....	3,990,161	10,004	4,000,165
2008 .....	3,317,124	32,438	3,349,562
Subsequent years .....	10,904,221	437,458	11,341,679
Total .....	46,341,531	7,118,189	53,459,720 <sup>(1)</sup>

(1) The borrowings are composed of \$18,365,286 US, £ 1,151, ¥ 1,446,717, Euro 218,895, NZ dollar \$207,313, AU \$120,598, NOK 621,743 and \$32,478,017 CDN.

## Contingent Liabilities of Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.8 summarizes the contingent liabilities of enterprise Crown corporations and other government business enterprises. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

**TABLE 9.8**

### CONTINGENT LIABILITIES OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

Enterprise Crown corporations and other government business enterprises	March 31, 2003
Export Development Canada—Loan guarantees and loans with recourse .....	2,778,131
Farm Credit Canada—Loan guarantees .....	17,021
Halifax Port Authority—Miscellaneous litigations .....	400
Montreal Port Authority—Miscellaneous litigations .....	188
Vancouver Port Authority—Miscellaneous litigations .....	1,200
Other Canada Port Authorities—Miscellaneous litigations .....	3,550
Total .....	2,800,490

## Contractual Commitments of Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.9 summarizes the contractual commitments of enterprise Crown corporations and other government business enterprises. A contractual commitment represents a legal obligation to outside organizations or individuals as a result of a contract. Contractual commitments are classified into three main categories: loans authorized but undisbursed, capital expenditures and operating leases.

**TABLE 9.9**

### CONTRACTUAL COMMITMENTS OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES AT MARCH 31, 2003

(in thousands of dollars)

	Loans	Capital expenditures	Operating leases	Total
<u>Enterprise Crown corporations and other government business enterprises</u>				
Atlantic Pilotage Authority .....		1,181		1,181
Business Development Bank of Canada .....	931,089	159,317		1,090,406
Canada Hibernia Holding Corporation .....		6,450		6,450
Canada Mortgage and Housing Corporation .....	8,763			8,763
Canada Post Corporation .....		1,444,000		1,444,000
Canadian Commercial Corporation .....		2,090		2,090
Canadian Dairy Commission .....	2,000			2,000
Canadian Wheat Board .....		18,532		18,532
Export Development Canada .....	3,512,000			3,512,000
Farm Credit Canada .....	275,000	35,577		310,577
Great Lakes Pilotage Authority .....		1,360		1,360
Halifax Port Authority .....		357		357
Laurentian Pilotage Authority .....		1,958		1,958
Pacific Pilotage Authority .....		530		530
Quebec Port Authority .....		289		289
Vancouver Port Authority .....	7,000	19,900		26,900
Other Canada Port Authorities .....	152	135		287
Total .....	4,726,852	9,152	1,691,676	6,427,680

## Financial Assistance Under Budgetary Appropriations to Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.10 summarizes financial assistance under budgetary appropriations for both agent, non-agent enterprise Crown corporations and other government business enterprises. It should be read in conjunction with Table 9.5. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts approved through an operating vote and (b) amounts approved through a capital vote.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

Differences in figures reported in Table 9.5 and those reported in Table 9.10 result from the use of different accounting policies and from items in transit.

**TABLE 9.10**

### FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES FOR THE YEAR ENDED MARCH 31, 2003

(in thousands of dollars)

	Operating vote	Capital vote	Financial assistance under budgetary appropriations <sup>(1)</sup>
<u>Enterprise Crown corporations and other government business enterprises</u>			
Canada Post Corporation <sup>(2)</sup> .....	264,727		264,727
Canadian Commercial Corporation.....	16,631		16,631
Canadian Wheat Board, The <sup>(3)</sup> .....	19,856		19,856
Cape Breton Development Corporation .....	46,536		46,536
Export Development Canada <sup>(4)</sup> .....	7,424		7,424
Total .....	355,174 <sup>(5)</sup>		355,174

(1) Excludes grants and contributions paid to agent and non-agent enterprise Crown corporations where they qualify as members of a general class of recipients.

(2) Includes a payment of \$27,517 from the Department of Indian Affairs and Northern Development for the purpose of providing Northern Air Stage Parcel Service.

(3) Payment for the acquisition and leasing of hopper cars for the transportation of grain in Western Canada.

(4) Consists of a payment of \$7,424 from the Department of Foreign Affairs and International Trade as administration expenses for the Canada Account.

(5) Of this amount, \$320,946 is presented with Crown corporations expenses on the Statement of Operations in Section 2 of this volume. The remainder is presented with other program expenses of all other departments and agencies.

## Portfolio Investments

Portfolio investments are entities with share capital owned jointly by the Government and other governments and/or organizations to further common objectives. This group records and/or reports the Government's investments in such entities. Additional information on these entities is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*.

Under the terms of section 147 of the *Bankruptcy and Insolvency Act*, the Superintendent of Bankruptcy has received shares in a number of corporations in lieu of a cash levy payable to the Crown.

Table 9.11 presents a summary of the balances and transactions for the various types of portfolio investments.

**TABLE 9.11**  
PORTFOLIO INVESTMENTS

	April 1/2002	Payments and other charges	Receipts and other credits	March 31/2003
	\$	\$	\$	\$
Petro-Canada—Finance .....	1,225,167,174			1,225,167,174
Other—				
Co-operative Housing Project—Canadian Heritage—				
Parks Canada Agency .....	337,106			337,106
Lower Churchill Development Corporation Limited—				
Natural Resources .....	14,750,000			14,750,000
North Portage Development Corporation—				
Industry—Western Economic Diversification .....				
Société du parc industriel et portuaire Québec-Sud—				
Industry—Economic Development Agency of Canada for the Regions of Quebec .....	400			400
	15,087,506			15,087,506
Total .....	1,240,254,680			1,240,254,680

### Petro-Canada

Petro-Canada was initially incorporated under the *Canada Business Corporations Act*, to explore for, research, develop, produce and distribute hydrocarbons and other types of fuel and energy, and to engage or invest in ventures related thereto.

The *Petro-Canada Public Participation Act*, assented to February 1, 1991, provided for the sale of Government shares.

As of March 31, 2003, the Government's holding represents 49.4 million shares, approximately 18.74 percent ownership of Petro-Canada.

### Co-operative Housing Project

The Parks Canada Agency has invested in the Rocky Mountain II Co-operative Housing Association, along with five other entities, to provide accommodation for Parks Canada employees and employees of other entities in Banff, Alberta.

### Lower Churchill Development Corporation Limited

The Corporation was incorporated under the *Companies Act of Newfoundland*, to establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the transmission of this energy to markets.

This account records the Government's investment in the capital of the Corporation. In respect of Canada's participation with the Government of Newfoundland and Labrador in the development of the hydroelectric power potential of the Lower Churchill River in Labrador, the Government is authorized to purchase approximately 49 percent of the shares of the Lower Churchill Development Corporation Limited.

The Government has purchased 1,475 class A shares, representing 49 percent of the shares outstanding. The balance of the outstanding shares is owned by Newfoundland and Labrador Hydro (an agent of the Government of Newfoundland and Labrador).

## North Portage Development Corporation

The Corporation was incorporated under the *Manitoba Corporations Act*, to foster the social and economic development of the North Portage area in the core area of Winnipeg. The objective of the Government's participation is to stimulate economic recovery in Canada and Manitoba.

The Government's holding of common shares represents 33.3 percent of the shares outstanding. The Corporation is owned equally by the City of Winnipeg, the Province of Manitoba and the Government of Canada.

## Société du parc industriel et portuaire Québec-Sud

The Corporation was incorporated by a Special Act of the Government of Quebec, to favor and manage the development of an industrial park intended for major industrial projects in the Township of Lévis. In order to achieve this objective, the Corporation may acquire, sell or exchange lands in this Township.

In 1995, the mandate was modified after the lands were ascertained as inappropriate for industrial infrastructure. The Corporation must now propose a development alternative to the two levels of government with the amounts gathered from these land disposals.

The Government has purchased 400 common shares of the Corporation at \$1 per share. This represents 40 percent of the authorized shares. The balance of the outstanding shares is owned by the Government of Quebec.

## National Governments Including Developing Countries

Loans to national governments consist mainly of loans for financial assistance, international development assistance to developing countries, and loans for development of export trade (administered by Export Development Canada).

Table 9.12 presents a summary of the balances and transactions for the loans and advances that were made to national governments including developing countries.

**TABLE 9.12**

### NATIONAL GOVERNMENTS INCLUDING DEVELOPING COUNTRIES

	April 1/2002	Payments and other charges	Receipts and other credits	March 31/2003
	\$	\$	\$	\$
<b>Finance—</b>				
Bank of Thailand .....	536,069,678		403,197,083	132,872,595
United Kingdom .....	79,213,040		18,123,758	61,089,282
	<i>615,282,718</i>		<i>421,320,841</i>	<i>193,961,877</i>
<b>Foreign Affairs and International Trade—</b>				
Development of export trade (loans administered by Export Development Canada) .....	858,049,885	241,015,397	455,584,046	643,481,236
Developing countries—Canadian International Development Agency—International development assistance .....	1,428,823,259 2,286,873,144	1,242,471 242,257,868	48,794,762 504,378,808	1,381,270,968 2,024,752,204
<b>National Defence—</b>				
North Atlantic Treaty Organization—Damage claims recoverable .....	432,248		416,189	16,059
<b>Total</b> .....	<b>2,902,588,110</b>	<b>242,257,868</b>	<b>926,115,838</b>	<b>2,218,730,140</b>

## Bank of Thailand

Under authority of the *Bretton Woods and Related Agreements Act*, a loan has been made to the Bank of Thailand to a maximum of \$500,000,000 US to provide financial assistance.

The loan bears interest at the six-month LIBOR rate established by the British Bankers' Association less 0.100 percent. The interest is calculated every six-month period and the principal is repayable over four equal consecutive semi-annual instalments commencing on the seventh interest payment date. The outstanding principal is repayable between April 30, 2003 and July 31, 2003.

As of March 31, 2003, the outstanding amount repayable by the Bank of Thailand is \$90,525,000 US translated into Canadian dollars at the closing rate of exchange (\$1 US/\$1.4678 Cdn.).

## United Kingdom

*United Kingdom Financial Agreement Act, 1946—Deferred principal*

Under authority of the *United Kingdom Financial Agreement Act, 1946*, a credit of \$1,250,000,000 was extended by the Government of Canada to the government of the United Kingdom to facilitate purchases by the United Kingdom of goods and services in Canada and to assist the government of the United Kingdom in meeting transitional post-war deficits in its current balance of payments, in maintaining adequate reserves of gold and dollars, and in assuming the obligations of multilateral trade.

The agreement, as amended in 1957, provides for the deferral of interest in respect of the year 1956 and of seven instalments of principal and interest after December 31, 1956, under certain conditions. Interest for 1956, and interest and principal for 1957, 1964, 1965, 1968 and 1976 were deferred. The outstanding deferred principal is repayable between December 31, 2003 and December 31, 2006.

## Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Governor in Council may authorize the Corporation to make loans to foreign customers where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

Prior to April 1, 1987, these loans were authorized under non-budgetary authority. Since April 1, 1987, interest-free or low interest bearing loans are made under budgetary authority because of their concessional nature. Any similar loans that were issued prior to April 1, 1987 are partially provided for in the allowance for valuation of assets.

The following table presents the balances and transactions for the loans made to national governments, together with their terms and conditions of repayments. The subtotal of budgetary loans includes total payments for concessional loans under both budgetary and non-budgetary authorities. Loans made under budgetary authority are deducted as a lump sum amount under the caption "budgetary treatment".

	Payments and other charges		Receipts and other credits		March 31/2003
	April 1/2002	Payments or other charges <sup>(1)</sup>	Revaluation	Receipts or other credits <sup>(2)</sup>	
		\$	\$	\$	
<b>NON-BUDGETARY LOANS<sup>(3)</sup>—</b>					
(a) 1 to 5 year term, 5.93 percent (London Interbank Offered Rate (LIBOR)) to 11 percent interest per annum, with final repayments between May 2000 and November 2005:					
Madagascar.....	10,546,387			4,439,894	6,106,493
Mexico.....	318,238	12,832,943		2,042,477	1,293,781
Peru.....	905,590			905,590	5,023,799
Russia and USSR.....	79,405,879			79,405,879	29,696,744
Sudan.....	453,030			453,030	657,977
Tanzania.....	20,288,581	999,940		3,607,656	17,680,865
	111,917,705	13,832,883		82,806,976	9,341,331
(b) 6 to 10 year term, 5.93 percent (LIBOR) to 10.5 percent interest per annum, with final repayments between July 2000 and March 2007:					
Algeria.....	47,733,578			6,452,698	41,280,880
Argentina.....	41,635,683			3,264,415	38,371,268
Cameroun.....	3,945,188	1,078,611			
China.....	67,849,150			34,927,777	32,224,629
Congo.....	713,954			55,977	29,696,744
Cuba.....	33,368,980			33,368,980	657,977
Ecuador.....	966,451			49,548	890,637
Gabon.....	5,010,592			2,706,556	1,929,431
Jamaica.....	2,881,411			826,844	1,984,288
Kenya.....	4,597,280			70,279	4,236,834
Lithuania.....	1,228,696			360,446	754,908
Morocco.....	61,041,234			402,038	20,344,291
Romania.....	174,626,575			21,253,989	19,442,954
Russia.....	3,027,929			37,488,871	11,970,427
Rwanda.....	1,216,136			1,183,363	125,167,277
Sudan.....	8,478,778	453,030		164,777	1,679,789
Venezuela.....	123,035,247	9,782,492		1,046,823	169,313
	581,356,862	11,314,133		2,125,809	6,805,999
				3,537,112	121,873,784
				7,406,843	400,867,219
(c) 11 to 15 year term, 5.93 percent (LIBOR) to 11.5 percent interest per annum, with final repayments between July 1996 and January 2007:					
Algeria.....	1,677,778			1,677,778	
Argentina.....	18,935,851				18,935,851
Brazil.....	3,566,117	292,184		1,135,934	2,722,367
Peru.....	905,590			115,305	610,092
Russia.....	79,405,878			2,521,574	69,623,851
	24,179,746	80,603,652		5,450,591	91,892,161
Insurance claims paid during the year:					
Cuba.....	30,420,852				30,420,852
Haiti.....		373,129			373,129
Russia.....	16,116,692			865,391	15,251,301
	46,537,544	373,129		865,391	46,045,282
Total—Non-budgetary.....	763,991,857	106,123,797		230,455,343	67,253,368
					572,406,943

	Payments and other charges		Receipts and other credits		March 31/2003
	April 1/2002	Payments or other charges <sup>(1)</sup>	Receipts or other credits <sup>(2)</sup>	Revaluation	
		\$	\$	\$	
<b>BUDGETARY LOANS<sup>(3)(4)</sup></b>					
(a) 1 to 15 year term, 6.9 percent (LIBOR) to 11 percent interest per annum, with final repayments between April 1997 and June 2012:					
Madagascar .....	7,028,420	1,549,079			8,577,499
Poland .....	40,471,959		6,305,674	1,916,954	32,249,331
Tanzania .....	999,940		999,940		
Zambia .....	7,938,416			4,111,518	3,826,898
	56,438,735	1,549,079	7,305,614	6,028,472	44,653,728
(b) 16 to 20 year term, 0 percent to 3.5 percent interest per annum, with final repayments between March 2008 and March 2011:					
Cameroun .....	1,200,476			311,385	889,091
Mexico .....	12,832,943		12,832,943		
Rwanda .....	4,934,858			2,687,593	2,247,265
Thailand .....	19,447,142		2,212,167	870,796	16,364,179
Zambia .....	2,472,613			2,472,613	
	40,888,032		15,045,110	6,342,387	19,500,535
(c) 21 to 25 year term, 0 percent to 3.5 percent interest per annum, with final repayments between November 1999 and July 2036:					
Algeria .....	8,958,000	1,972,451		630,859	10,299,592
China .....	549,492,457	13,497,106		57,226,603	505,762,960
Congo .....	3,367,162			264,000	3,103,162
Indonesia .....	51,313,358			4,023,190	47,290,168
	613,130,977	15,469,557		630,859	61,513,793
(d) 31 to 55 year term, 0 percent interest per annum, with final repayment in July 2042:					
Cameroun .....	24,834,655		3,200,000	2,801,684	18,832,971
China .....	199,768,757		5,268,838	15,412,562	179,087,357
Egypt .....	16,903,058		3,919,156		12,736,250
Gabon .....	15,229,244		247,652		13,670,653
India .....	81,027,858		376,933	1,181,658	74,520,530
Jamaica .....	10,647,888		245,183	6,262,145	9,544,198
Kenya .....	10,726,739		426,340	67,7350	9,991,631
Morocco .....	133,520,660	5,281,457		4,192,096	134,610,021
Pakistan .....	10,664,404			420,857	10,243,547
Turkey .....	173,941,249		2,113,850	13,527,688	158,299,711
	677,264,512	5,281,457		16,100,827	621,536,869
Subtotal—Budgetary .....	1,387,722,256	22,300,093		39,082,410	118,792,925
Less: budgetary treatment .....	1,293,664,228	10,215,094	102,376,413		1,181,072,721
Total—Budgetary .....	94,058,028	32,515,187	102,376,413	39,082,410	118,792,925
Total .....	858,049,885	138,638,984	102,376,413	269,537,753	186,046,293
<b>SUMMARY</b>					
Total—Non-budgetary .....	763,991,857	106,123,797		230,455,343	67,253,368
Total—Budgetary .....	1,387,722,256	22,300,093		39,082,410	118,792,925
	2,151,714,113	128,423,890		269,537,753	186,046,293
Less: budgetary treatment .....	1,293,664,228	10,215,094	102,376,413		1,181,072,721
Total .....	858,049,885	138,638,984	102,376,413	269,537,753	186,046,293

<sup>(1)</sup> Payments or other charges may include transactions such as loans, adjustments, etc.<sup>(2)</sup> Receipts or other credits may include transactions such as repayments, forgiveness, etc.<sup>(3)</sup> Final repayment dates may change if loan amounts are rescheduled or restructured.<sup>(4)</sup> Concessional non-budgetary loans made prior to April 1, 1987 are partially provided for in the allowance for valuation of assets and are included with budgetary loans in this table. Budgetary loans have been partially valued in the allowance for valuation of assets.

## Developing countries—International development assistance

Interest-free or low interest bearing loans have been made through the Canadian International Development Agency to developing countries for international development assistance. Prior to April 1, 1986, these loans were authorized by miscellaneous non-budgetary authorities. Any balances still outstanding at March 31, 1986 are partially provided for in the allowance for valuation of assets. Loan payments after March 31, 1986 have been made under various budgetary authorities.

The following table presents the balances and transactions for the loans made to developing countries, together with their terms and conditions of repayments. The subtotal of loans to individual countries includes, where applicable, total payments made under both budgetary and non-budgetary authorities. Payments made under budgetary authority to all countries are deducted as a lump sum amount under the caption "budgetary treatment".

All loans have been made in Canadian dollars and are therefore not subject to revaluations for foreign exchange fluctuations.

Similar assistance has been provided to developing countries by way of subscriptions and advances to the International Development Association, advances to the Global Environment Facility, and loans to other international financial institutions. These are reported later in this section under the heading "International organizations".

	April 1/2002	Payments and other charges	Receipts and other credits <sup>(1)</sup>	March 31/2003
	\$	\$	\$	\$
(a) rescheduling as per agreement with Government of Egypt in August 1992, Phase III of reorganization schedule. Next principal repayment due January 1, 2017:				
Egypt .....	44,995,933			44,995,933
(b) 30 year term, 7 year grace period, 3 percent interest per annum, with final repayments between September 1996 and January 2012:				
Brazil .....	3,610,665	187,485	3,423,180	
Chile .....	11			11
Cuba .....	9,547,012			9,547,012
Malaysia .....	1,304,334	326,087	978,247	
Turkey .....	1,045,988	413,379	632,609	
	<i>15,508,010</i>	<i>926,951</i>	<i>14,581,059</i>	
(c) 35 year term, 5 year grace period, non-interest bearing, with final repayments between April 2001 and November 2005:				
Salvador, El .....	262,843	65,710	197,133	
(d) 40 year term, 10 year grace period, non-interest bearing, with the final repayment in March 2007:				
Thailand .....	161,654	33,334	128,320	
(e) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035:				
Algeria .....	11,461,781	979,938	10,481,843	
Argentina .....	289,333	18,666	270,667	
Bolivia .....	847,902	42,396	805,506	
Brazil .....	365,932	20,913	345,019	
Chile .....	1,587,615	98,062	1,489,553	
Colombia .....	434,072	26,307	407,765	
Dominican Republic .....	5,158,116	236,046	4,922,070	
Ecuador .....	6,024,679	304,918	5,719,761	
Guatemala .....	2,481,353	100,000	2,381,353	
India .....	459,235,108	29,470,597	429,764,511	
Indonesia .....	216,303,483			216,303,483
Malaysia .....	1,860,373	62,935	1,797,438	

	April 1/2002	Payments and other charges	Receipts and other credits <sup>(1)</sup>	March 31/2003
Malta.....	\$ 549,980	\$	\$ 25,000	\$ 524,980
Mexico.....	42,956		2,771	40,185
Morocco .....	10,816,323		677,921	10,138,402
Myanmar (Burma).....	8,306,202			8,306,202
Pakistan.....	447,507,534			447,507,534
Paraguay.....	298,078		9,998	288,080
Peru .....	53,394		3,728	49,666
Philippines.....	2,311,710		123,270	2,188,440
Sri Lanka.....	112,289,763		6,413,072	105,876,691
Thailand .....	23,359,705		1,184,421	22,175,284
Tunisia.....	74,854,119		4,943,594	69,910,525
	<b>1,386,439,511</b>		<b>44,744,553</b>	<b>1,341,694,958</b>
(f) 53 year term, 13 year grace period, non-interest bearing, with the final repayment in September 2025:				
Algeria.....	32,978,517		3,024,214	29,954,303
Subtotal.....	<b>1,480,346,468</b>		<b>48,794,762</b>	<b>1,431,551,706</b>
Less: budgetary treatment.....	51,523,209	1,242,471		50,280,738
Total.....	<b>1,428,823,259</b>	<b>1,242,471</b>	<b>48,794,762</b>	<b>1,381,270,968</b>

Note: Grace period refers to interval from date of issuance of the loan to first repayment of loan principal.

<sup>(1)</sup> Receipts and other credits may include transactions such as repayments, forgiveness, etc.

<sup>(2)</sup> This amount represents an adjustment to reduce the allowance regarding the reimbursements of budgetary loans.

### North Atlantic Treaty Organization—Damage claims recoverable

Article VIII of the NATO Status of Forces Agreement signed April 4, 1949, as amended, deals with claims for damages to third parties arising from accidents in which a member of a visiting force is involved. This account is charged with the amount recoverable from other states, for claims for damages which took place in Canada, and is credited with recoveries.

The advances are non-interest bearing and have no specific repayment terms.

## International Organizations

This group records Canada's subscriptions to the share capital of international banks. It also includes loans and advances to associations and other international organizations. Table 9.13 groups these subscriptions, loans and advances according to whether they are treated as non-budgetary assets, or else as charges to budgetary expenditures.

Canada's subscriptions to the share capital of a number of international banks are composed of both paid-in and callable capital. Subscriptions to international organizations do not provide a return on investment but are repayable on termination of the organization or withdrawal from it.

Paid-in capital subscriptions are made through a combination of cash payments and the issuance of non-interest bearing, non-negotiable notes payable to the organization. Although payable on demand, these notes are typically encashed according to terms of agreements reached between the organization and participating countries. Canada's subscriptions to the paid-in capital of these organizations are reported in Table 9.13 as non-budgetary assets.

Callable share capital is composed of resources that are not paid to the banks but act as a guarantee to allow them to borrow on international capital markets to finance their lending program. Callable share capital, which has never been drawn on by the banks, would only be utilized in extreme circumstances to repay loans, should a bank's reserves not be sufficient. It represent a contingent liability of the Government, and is listed with other contingent liabilities related to international organizations in Table 11.8 (Section 11 of this volume).

Most loans and advances to international organizations are given budgetary treatment, since they are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms. Loans and advances for concessionary lending made since April 1, 1986 are charged directly to budgetary appropriations, and are therefore deducted from the asset values at the end of Table 9.13 under the caption "budgetary treatment". Similar loans and advances made prior to April 1, 1986 were authorized by non-budgetary authorities, but are fully provided for in the allowance for valuation of assets. All of these loans and advances are included in the budgetary section of Table 9.13.

Table 9.13 presents a summary of the balances and transactions for share capital, loans and advances to international organizations. The revaluation amount represents the conversion of foreign currency balances to the year-end closing rates of exchange. Balances denominated in United States dollars were converted to Canadian dollars at year-end exchange rate of (\$1 US/\$1.4678 Cdn).

Table 11.9 (Section 11 of this volume) presents additional information on contingent liabilities and commitments for international organizations that are disclosed in the notes to the audited financial statements in Section 2 of this volume.

The notes payable outstanding at year end of \$681,024,730 (\$943,533,830 in 2002) are reported in Table 5.3 (Section 5 of this volume).

**TABLE 9.13**  
**INTERNATIONAL ORGANIZATIONS**

	Payments and other charges			Receipts and other credits			
	Participation or other charges		Revaluation	Reimbursements or other credits		Revaluation	
	April 1/2002	\$	\$	\$	\$	March 31/2003	\$
<b>NON-BUDGETARY SHARE CAPITAL, LOANS AND ADVANCES</b>							
Capital subscriptions—							
Finance—							
European Bank for Reconstruction and Development .....	267,213,976	19,294,073				22,653,862	263,854,187
International Bank for Reconstruction and Development (World Bank) .....	417,602,368					14,452,726	403,149,642
International Finance Corporation .....	129,675,417					10,281,629	119,393,788
Multilateral Investment Guarantee Agency .....	17,109,353					1,356,557	15,752,796
	<i>831,601,114</i>	<i>19,294,073</i>				<i>48,744,774</i>	<i>802,150,413</i>
Foreign Affairs and International Trade—							
Canadian International Development Agency—							
African Development Bank .....	112,540,287	4,479,988				4,246,853	112,773,422
Asian Development Bank .....	235,140,679					16,149,434	218,991,245
Caribbean Development Bank .....	26,812,281	985,022				1,736,775	26,060,528
Inter-American Development Bank .....	284,765,599					22,276,258	262,489,341
	<i>659,258,846</i>	<i>5,465,010</i>				<i>44,409,320</i>	<i>620,314,536</i>
	<i>1,490,859,960</i>	<i>24,759,083</i>				<i>93,154,094</i>	<i>1,422,464,949</i>
Loans and advances—							
Finance—							
International Monetary Fund— Poverty Reduction and Growth Facility .....	833,518,899	131,251,096	12,032,742		103,103,493		873,699,244
Foreign Affairs and International Trade—							
International organizations and associations—							
Berne Union of the World Intellectual Property Organization .....	41,378		6,143				47,521
Customs Co-operation Council .....	9,475		1,473				10,948
Food and Agriculture Organization .....	1,434,780					113,760	1,321,020
General Agreement on Tariffs and Trade .....	51,528		7,650				59,178
International Maritime Organization .....	2,465		57				2,522
International Atomic Energy Agency .....	610,259					48,386	561,873
International Civil Aviation Organization .....	273,565					21,690	251,875
Paris Union of the World Intellectual Property Organization .....	106,623		15,829				122,452
United Nations Educational, Scientific and Cultural Organization .....	1,191,538					94,474	1,097,064
United Nations organizations .....	4,957,962					393,104	4,564,858
World Health Organization .....	247,212					19,601	227,611
	<i>8,926,785</i>		<i>31,152</i>			<i>691,015</i>	<i>8,266,922</i>
	<i>842,445,684</i>	<i>131,251,096</i>	<i>12,063,894</i>		<i>103,103,493</i>	<i>691,015</i>	<i>881,966,166</i>
Total—Non-budgetary .....	2,333,305,644	156,010,179	12,063,894		103,103,493	93,845,109	2,304,431,115

TABLE 9.13

## INTERNATIONAL ORGANIZATIONS—Concluded

	Payments and other charges			Receipts and other credits		
	Participation or other charges		Revaluation	Reimbursements or other credits		Revaluation
	April 1/2002	\$	\$	\$	\$	March 31/2003
<b>BUDGETARY LOANS AND ADVANCES<sup>(1)</sup></b>						
Finance—						
Global Environment Facility .....	10,000,000					10,000,000
International Development Association .....	6,166,438,061	230,133,000				6,396,571,061
	6,176,438,061	230,133,000				6,406,571,061
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
International financial institutions—						
African Development Bank .....	2,343,896			125,000		2,218,896
African Development Fund .....	1,482,601,758	72,000,000			9,479,993	1,545,121,765
Andean Development Corporation .....	2,687,576			125,000		2,562,576
Asian Development Bank—Special .....	27,027,000					27,027,000
Asian Development Fund .....	1,668,073,288	48,689,252				1,716,762,540
Caribbean Development Bank—						
Agricultural Development Fund .....	2,000,000					2,000,000
Caribbean Development Bank—						
Commonwealth Caribbean Regional .....	6,376,800			505,600		5,871,200
Caribbean Development Bank—Special .....	138,304,585	18,294,505			1,586,320	155,012,770
Central American Bank for Economic Integration .....	1,185,779			76,500		1,109,279
Global Environment Facility Trust Fund .....	233,200,000	39,735,000				272,935,000
Inter-American Development Bank—Fund for Special Operations .....	433,351,909	1,143,884			22,837,721	411,658,072
Multilateral Investment Fund .....	11,388,294					11,388,294
International Bank for Reconstruction and Development .....	31,884,000				2,528,000	29,356,000
International Fund for Agriculture Development .....	145,309,820	3,195,056				148,504,876
International Monetary Fund .....	17,487,469				1,386,536	16,100,933
Montreal Protocol Fund .....	53,845,755	5,498,439			3,372,915	55,971,279
	4,257,067,929	188,556,136		326,500	41,697,085	4,403,600,480
Subtotal—Budgetary .....	10,433,505,990	418,689,136		326,500	41,697,085	10,810,171,541
Less: budgetary treatment .....	8,327,436,075		265,881,280	674,835,157		8,736,389,952
Total—Budgetary .....	2,106,069,915	418,689,136	265,881,280	675,161,657	41,697,085	2,073,781,589
Total .....	4,439,375,559	574,699,315	277,945,174	778,265,150	135,542,194	4,378,212,704
<b>SUMMARY</b>						
Participation .....	12,766,811,634	574,699,315	12,063,894	103,429,993	135,542,194	13,114,602,656
Less: budgetary treatment .....	8,327,436,075		265,881,280	674,835,157		8,736,389,952
Total .....	4,439,375,559	574,699,315	277,945,174	778,265,150	135,542,194	4,378,212,704

<sup>(1)</sup> Concessional non-budgetary loans and advances made prior to April 1, 1986 have been fully provided for in the allowance for valuation of assets and are included with budgetary loans and advances in this table.

## European Bank for Reconstruction and Development

This account records Canada's subscriptions to the capital of the European Bank for Reconstruction and Development (EBRD), as authorized by the *European Bank for Reconstruction and Development Agreement Act*, and various appropriation acts.

At year-end, Canada has subscribed to 68,000 shares of the EBRD's authorized capital valued at \$828.6 million US. Only \$216.2 million US or about 35 per cent of Canada's share subscription is "paid-in". The balance is callable meaning the institution can request the resources in the unlikely event that it requires them to meet its financial obligations to bondholders. Payments for the share subscription are authorized by the *Act*. Each payment to the EBRD is comprised of cash and a promissory note.

As at March 31, 2003, Canada had paid-in shares valued at \$179,761,675 US.

Canada's contingent liability for the callable portion of its shares is \$612,420,000 US.

## International Bank for Reconstruction and Development (World Bank)

This account records Canada's subscriptions to the capital of the International Bank for Reconstruction and Development, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 2003, Canada has subscribed to 44,795 shares. The total value of these shares is \$5,403,844,825 US, of which \$114,341,194 US plus \$235,319,638 Cdn has been paid-in. The remaining portion is callable.

The callable portion is subject to call by the Bank under certain circumstances. Canada's contingent liability for the callable portion of its shares is \$5,069 million US.

## International Finance Corporation

This account records Canada's subscriptions to the capital of the International Finance Corporation, which is part of the World Bank Group, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 2003, Canada has subscribed to 81,342 shares. These shares have a total value of \$81,342,000 US, all of which has been paid-in.

## Multilateral Investment Guarantee Agency

This account records Canada's subscriptions to the capital of the Multilateral Investment Guarantee Agency, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 2003, Canada has subscribed to 5,225 shares. The total value of these shares is \$56,534,500 US, of which \$10,732,250 US is paid-in and the remaining portion is callable.

The callable portion is subject to call by the Agency under certain circumstances. Canada's contingent liability for the callable portion of its shares is \$45,802,250 US.

## African Development Bank

This account records Canada's subscriptions to the capital of the African Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts. (including Foreign Affairs and International Trade Votes L35 and L35a, *Appropriation Acts No. 2 and No. 3, 2002-2003*).

At year-end, authority had been granted for subscriptions of 7,237 paid-in shares and 73,473 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2003, Canada's participation to the paid-in capital is \$112,773,422 Cdn for 7,237 paid-in shares and of these paid-in shares, 2,100 were issued in US dollars.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$984,917,646 Cdn and \$177,333,450 US for a total value of \$1,245,207,684 Cdn.

## Asian Development Bank

This account records Canada's subscriptions to the capital of the Asian Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 12,961 paid-in shares and 172,125 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2003, Canada's participation to the paid-in capital is \$218,991,245 Cdn for 12,961 paid-in shares. Of these paid-in shares, 10,591 were issued in US dollars.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$1,533,210,533 US and \$596,976,219 Cdn for a total value of \$2,847,422,639 Cdn.

## Caribbean Development Bank

This account records Canada's subscriptions to the capital of the Caribbean Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 2,278 paid-in shares and 8,124 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2003, Canada's participation to the paid-in capital is \$26,060,528 Cdn for 2,278 paid-in shares. These shares were issued in US dollars.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$49,001,856 US for a total value of \$71,924,924 Cdn.

### **Inter-American Development Bank**

This account records Canada's subscriptions to the capital of the Inter-American Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 14,397 paid-in shares and 320,490 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2003, Canada's participation to the paid-in capital is \$262,489,341 Cdn for 14,397 paid-in shares. These shares were issued in US dollars.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$3,866,208,680 US for a total value of \$5,674,821,100 Cdn.

### **International Monetary Fund—Poverty Reduction and Growth Facility**

This account records the loan to the International Monetary Fund in order to provide assistance to debt distressed, low-income countries as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

The total loan authority pursuant to the *Bretton Woods and Related Agreements Act* was set at \$550 million or such greater amount as may be fixed by the Governor in Council. The Governor in Council subsequently increased the limit to SDR 700 million.

As at March 31, 2003, Canada has lent a total of 616,912,500 SDR to the Poverty Reduction and Growth Facility. Of this amount, 183,626,654 SDR has been repaid. The outstanding balance of 433,285,846 SDR was translated into Canadian dollars at the year-end closing rate of exchange (1 SDR/\$2.01645 Cdn). During the year, transactions included a loan in cash, repayments and an exchange valuation adjustment.

Canada has also made budgetary contributions towards an interest subsidy amounting to 182,197,586 SDR, which do not appear in Table 9.13.

### **International organizations and associations**

These items represent the historical value of payments made by the Canadian Government to working capital funds maintained by international organizations of which Canada is a member. Participation in the financing of these working capital funds, on the basis of the scale of assessments, is prescribed by financial regulations for membership in the organizations. Payments into the funds are not subject to interest or repayment schedules, but are recorded by the organizations as credits from member states. Payments by Canada were authorized by appropriation acts.

### **Global Environment Facility**

This account records the funding of a facility for environmental funding in developing countries in the areas of ozone, climate change biodiversity and international waters as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. Advances to the Global Environment Facility (GEF) are made in non-negotiable, non-interest bearing demand notes that are later encashed.

As at March 31, 2003, advances to the GEF amounted to \$10,000,000 Cdn.

### **International Development Association**

This account records Canada's contributions and subscriptions to the International Development Association (IDA), as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. The contributions and subscriptions to the Association, which is part of the World Bank Group, are used to lend funds to the poorest developing countries for development purposes, on highly favourable terms (no interest, with a 35 to 40 year maturity and 10 years of grace). Contributions and subscriptions to IDA are made in non-negotiable, non-interest bearing demand notes that are later encashed.

During the year, transactions included participation through the issuance of notes payable.

As at March 31, 2003, Canada's total participation in IDA amounted to \$6,396,571,061 Cdn.

### **International financial institutions**

This account records loans and advances for assistance to international financial institutions, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Votes L30, L30a and L30b, *Appropriation Acts No. 2, No. 3 and No. 4, 2002-2003*).

In certain cases, loans and advances are made using notes payable that are later encashed. During the year, transactions included loans and advances made in cash and through note issuances, encashments of notes issued in previous years and revaluations for foreign currency fluctuations.

## Provincial and Territorial Governments

This category records loans to provinces and territories made under relief acts and other legislation.

Table 9.14 presents a summary of the balances and transactions for the various types of loans and advances that have been made to provincial and territorial governments.

**TABLE 9.14**  
PROVINCIAL AND TERRITORIAL GOVERNMENTS

	April 1/2002	Payments and other charges	Receipts and other credits	March 31/2003
	\$	\$	\$	\$
<b>NEWFOUNDLAND AND LABRADOR—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	3,618,800	1,706,000	6,542,400	(1,217,600)
Municipal Development and Loan Board .....	1,333,060		154,856	1,178,204
Winter capital projects fund .....	2,836,758			2,836,758
	7,788,618	1,706,000	6,697,256	2,797,362
Industry—				
Atlantic Development Board carry-over projects .....	170,927		29,173	141,754
Atlantic Provinces Power Development Act .....	23,033,235		5,796,955	17,236,280
Atlantic Canada Opportunities Agency—				
Loans to enterprises in Newfoundland and Labrador .....	476,680			476,680
	23,680,842		5,826,128	17,854,714
Total Newfoundland and Labrador .....	31,469,460	1,706,000	12,523,384	20,652,076
<b>NOVA SCOTIA—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	(2,951,000)	2,951,000	7,441,000	(7,441,000)
Municipal Development and Loan Board .....	72,007		14,278	57,729
Total Nova Scotia .....	(2,878,993)	2,951,000	7,455,278	(7,383,271)
<b>PRINCE EDWARD ISLAND—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	3,293,260	431,000	4,149,560	(425,300)
Municipal Development and Loan Board .....	193,564		23,488	170,076
Winter capital projects fund .....	63,079			63,079
	3,549,903	431,000	4,173,048	(192,145)
Industry—				
Atlantic Canada Opportunities Agency—				
Comprehensive development plan agreement .....	1,852,737		1,030,809	821,928
Total Prince Edward Island .....	5,402,640	431,000	5,203,857	629,783
<b>NEW BRUNSWICK—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	(2,367,000)	2,367,000	10,841,000	(10,841,000)
Municipal Development and Loan Board .....	908,483		165,104	743,379
	(1,458,517)	2,367,000	11,006,104	(10,097,621)

**TABLE 9.14****PROVINCIAL AND TERRITORIAL GOVERNMENTS—Continued**

	April 1/2002	Payments and other charges	Receipts and other credits	March 31/2003
	\$	\$	\$	\$
<b>Industry—</b>				
Atlantic Provinces Power Development				
Act .....	7,638,804		1,191,376	6,447,428
Atlantic Canada Opportunities Agency—				
Special areas and highways agreement .....	832,384		258,610	573,774
	8,471,188		1,449,986	7,021,202
Total New Brunswick .....	7,012,671	2,367,000	12,456,090	(3,076,419)
<b>QUEBEC—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	496,692,500	210,067,000	215,190,250	491,569,250
Municipal Development and Loan Board .....	9,304,700		1,868,685	7,436,015
Total Quebec .....	505,997,200	210,067,000	217,058,935	499,005,265
<b>ONTARIO—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	(82,329,000)	82,329,000	87,916,000	(87,916,000)
Mutual fund capital gain refund overpayments .....	1,330,000,000			1,330,000,000
Total Ontario .....	1,247,671,000	82,329,000	87,916,000	1,242,084,000
<b>MANITOBA—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	(3,586,000)	3,586,000	16,584,000	(16,584,000)
Mutual fund capital gain refund overpayments .....	91,000,000			91,000,000
Total Manitoba .....	87,414,000	3,586,000	16,584,000	74,416,000
<b>SASKATCHEWAN—</b>				
Agriculture and Agri-Food—				
Agricultural service centres .....	47,032		37,746	9,286
Finance—				
Federal-provincial fiscal arrangements .....	(9,227,000)	141,303,034	17,437,000	114,639,034
Municipal Development and Loan Board .....	18,087		4,042	14,045
	(9,208,913)	141,303,034	17,441,042	114,653,079
Total Saskatchewan .....	(9,161,881)	141,303,034	17,478,788	114,662,365
<b>ALBERTA—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	46,749,000	214,256,000	46,749,000	214,256,000
Municipal Development and Loan Board .....	417,468		79,246	338,222
Total Alberta .....	47,166,468	214,256,000	46,828,246	214,594,222
<b>BRITISH COLUMBIA—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	69,473,000	45,429,000	69,473,000	45,429,000
Municipal Development and Loan Board .....	365,890		83,149	282,741
Total British Columbia .....	69,838,890	45,429,000	69,556,149	45,711,741

**TABLE 9.14****PROVINCIAL AND TERRITORIAL GOVERNMENTS—Concluded**

	April 1/2002	Payments and other charges	Receipts and other credits	March 31/2003
	\$	\$	\$	\$
<b>YUKON TERRITORY—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	(3,262,000)	5,030,000		1,768,000
Indian Affairs and Northern Development—				
Government of the Yukon Territory .....	92,582		76,626	15,956
Total Yukon Territory .....	(3,169,418)	5,030,000	76,626	1,783,956
<b>NORTHWEST TERRITORIES—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	8,991,000		17,580,000	(8,589,000)
Total Northwest Territories .....	8,991,000		17,580,000	(8,589,000)
<b>NUNAVUT—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	3,926,000		4,873,000	(947,000)
Total Nunavut .....	3,926,000		4,873,000	(947,000)
Total .....	1,999,679,037	709,455,034	515,590,353	2,193,543,718

**Federal-provincial fiscal arrangements**

These amounts represent underpayments in respect of provincial equalization entitlements under the *Constitution Acts 1867 to 1982*, the *Federal-Provincial Fiscal Arrangements Act*, and other statutory authority. These underpayments are non-interest bearing and are paid in subsequent years.

**Municipal Development and Loan Board**

Loans have been made, to provinces and municipalities, to augment or accelerate municipal capital works programs.

The loans bear interest at rates from 5.25 percent to 5.625 percent per annum, and are repayable in annual or semi-annual instalments over 15 to 50 years, with final instalments between December 1, 2004 and July 1, 2008.

**Winter capital projects fund**

Loans have been made, to provinces, provincial agencies and municipalities, to assist in the creation of employment.

The loans bear interest at rates from 7.4 percent to 9.5 percent per annum, and are repayable either in annual instalments over 5 to 20 years, or at maturity.

**Atlantic Development Board carry-over projects**

Loans have been made to finance certain water projects that were carried over from the Atlantic Development Board.

The remaining loan bears interest at the rate of 8.352 percent, with final instalment due April 1, 2006.

## Atlantic Provinces Power Development Act

Loans have been made to the Atlantic provinces, to assist in the generation of electrical energy by steam driven generators in the provinces, and in the control and transmission of electric energy.

The loans bear interest at rates from 4.5 percent to 8.5 percent per annum, and are repayable in equal annual instalments over the next 11 years, with final instalments due March 31, 2014.

## Loans to enterprises in Newfoundland and Labrador

Loans have been made to provide financing to small and medium-sized businesses in Newfoundland.

These loans originated from the Newfoundland and Labrador Development Corporation Limited, of which Canada owned 40 percent of the shares. In an agreement dated March 29, 1989, the Newfoundland government purchased Canada's shares to effect the withdrawal of the Government of Canada from the Corporation. A condition of the withdrawal was that the Government of Canada accept these loans as full payment of moneys owing by the Corporation to Canada. These loans are currently being administered by the Department.

The remaining loans bear interest at rates from 10 percent to 17 percent per annum, and are repayable at various dates.

## Comprehensive development plan agreement

Loans have been made to the Province of Prince Edward Island, to assist in financing the realization of a comprehensive and co-ordinated development plan of the province, pursuant to an agreement with the province, whose territory has been designated a "special rural development area".

The loans bear interest at rates from 8 percent to 9.375 percent per annum, and are repayable in equal instalments due at various anniversary dates, with final instalments by March 31, 2005.

## Special areas and highways agreement

Loans have been made to finance the development of community and industrial infrastructure projects for special areas, and for highway development.

Originally, the loans bore interest at rates from 6.3519 percent to 9.5757 percent per annum. As of March 31, the remaining loans bear no interest and are repayable in annual instalments, with final instalments between April 1, 2003 and April 1, 2005.

## Mutual fund capital gain refund overpayments

These amounts represent overpayments made to provinces under tax collection agreements for tax years 1997 to 1999 stemming from the misclassification of mutual fund trust capital gains refunds. Recoveries are non-interest bearing and will take place over a 10-year period starting in 2004-2005.

## Agricultural service centres

Loans have been made to provincial and municipal authorities, to assist in the construction or expansion of water supply and waste disposal facilities in key agriculture service centres, which are essential to rural adjustment and urban development in the agricultural portion of the Prairie region.

The loans bear interest at rates from 8.6179 percent to 13.4765 percent per annum, and are repayable in annual instalments using the declining balance method of calculation. The final instalment is due March 31, 2004.

## Government of the Yukon Territory

Loans have been made to the Government of the Yukon Territory, for the following purposes:

	April 1/2002	Payments and other charges	Receipts and other credits	March 31/2003
	\$	\$	\$	\$
Second mortgage .....	3,751		3,751	
Capital expenditures ..	14,384		14,384	
Outside parties—				
Capital projects ....	74,447		58,491	15,956
	92,582		76,626	15,956

The remaining loan bears interest at a rate of 9.500 percent per annum, and is repayable with a final instalment on November 24, 2003.

## Other Loans, Investments and Advances

This group records loans, investments and advances not classified elsewhere.

Table 9.15 presents a summary of the balances and transactions for the various types of other loans, investments and advances.

TABLE 9.15

### OTHER LOANS, INVESTMENTS AND ADVANCES

	April 1/2002 <sup>(1)</sup>	Payments and other charges	Receipts and other credits	March 31/2003
	\$	\$	\$	\$
Unconditionally repayable contributions—				
Industry—				
Department .....	73,481,023	6,056,157	18,488,843	61,048,337
Atlantic Canada Opportunities Agency .....	358,704,064	65,842,398	77,189,873	347,356,589
Economic Development Agency of Canada for the Regions of Quebec .....	176,663,149	63,049,841	24,713,129	214,999,861
Western Economic Diversification .....	105,191,111	3,207,279	20,691,289	87,707,101
Natural Resources .....	714,039,347	138,155,675	141,083,134	711,111,888
17,275,205	11,004,365		2,988,112	25,291,458
Total—Unconditionally repayable contributions .....	731,314,552	149,160,040	144,071,246	736,403,346
Loans and accountable advances—				
Foreign Affairs and International Trade—				
Missions abroad .....	34,472,583	824,259,791	838,357,949	20,374,425
Personnel posted abroad .....	11,016,376	11,168,641	9,539,814	12,645,203
45,488,959	835,428,432		847,897,763	33,019,628
National Defence—				
Imprest accounts, standing advances and authorized loans .....	33,746,425	413,895,568	417,967,564	29,674,429
Other departments—				
Miscellaneous accountable advances .....	12,844,783		159,626	12,685,157
Miscellaneous accountable imprest and standing advances .....	21,021,565	119,428	28,485	21,112,508
33,866,348	119,428		188,111	33,797,665
Total—Loans and accountable advances .....	113,101,732	1,249,443,428	1,266,053,438	96,491,722
Other—				
Agriculture and Agri-Food—				
Construction of multi-purpose exhibition buildings .....	176,357		60,707	115,650
National Marketing Programs <sup>(2)</sup> .....	104,770,201	7,055,222		111,825,423
104,946,558	7,055,222		60,707	111,941,073
Canadian Heritage—				
Cultural property .....				
Citizenship and Immigration—				
Immigration loans (formerly Transportation and assistance loans) .....	47,218,406	11,525,969	15,218,702	43,525,673
Finance—				
Canadian Commercial Bank .....	47,422,429			47,422,429
Financial Consumer Agency of Canada—				
Advances .....	7,000,000	4,050,000	9,700,000	1,350,000
Ottawa Civil Service Recreational Association .....	48,348		13,095	35,253
54,470,777	4,050,000		9,713,095	48,807,682
Fisheries and Oceans—				
Canadian producers of frozen groundfish .....	128,315			128,315
Haddock fishermen .....	1,346,337		3,000	1,343,337
1,474,652			3,000	1,471,652
Foreign Affairs and International Trade—				
Development of export trade (loans administered by Export Development Canada) .....	354,992,685	507,916,645	115,244,825	747,664,505
Human Resources Development—				
Direct financing to students .....	3,955,140,753	1,914,444,652	638,179,117	5,231,406,288
Provincial workers' compensation boards .....	12,927,668	31,333		12,959,001
3,968,068,421	1,914,475,985		638,179,117	5,244,365,289

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES—*Concluded*

	April 1/2002 <sup>(1)</sup>	Payments and other charges	Receipts and other credits	March 31/2003
	\$	\$	\$	\$
Indian Affairs and Northern Development—				
Council of Yukon First Nations—Elders .....	15,994,982	162,932	4,035,533	12,122,381
Farm Credit Canada Guarantee Loans				
Program (formerly Farm Credit Corporation Guarantee Loans Program).....	5,440,021	88,028	327,379	5,200,670
First Nations in British Columbia .....	226,167,193	26,748,149		252,915,342
Indian Economic Development Fund .....	538,493		438,058	100,435
Indian Economic Development Guarantee				
Loans Program .....	675,361			675,361
Inuit Loan Fund .....	82,836			82,836
Native claimants .....	326,292,335	31,652,992	25,390,587	332,554,740
On Reserve Housing Guarantee				
Loans Program .....	8,318,866	276,357	277,489	8,317,734
Stoney Band Perpetual Loan .....	389,619		4	389,615
Yukon Energy Corporation.....	29,287,220		268,510	29,018,710
613,186,926	58,928,458		30,737,560	641,377,824
Industry—				
Company stock option.....				
Manufacturing, processing and service industries in				
Canada .....	110,000,000			110,000,000
Small Business loans .....		63,764,807		63,764,807
National Research Council of Canada—				
H. L. Holmes Fund .....	3,256,071	455,536		3,711,607
113,256,071		64,220,343		177,476,414
National Defence—				
Canadian Forces housing projects.....	1,124,472		887,885	236,587
Natural Resources—				
Hibernia Development Project.....	64,400,000		9,200,000	55,200,000
Nordion International Inc. ....	94,000,000		4,000,000	90,000,000
158,400,000			13,200,000	145,200,000
Public Works and Government Services—				
Seized Property Working Capital Account.....	5,465,501	27,214,120	25,046,729	7,632,892
Solicitor General—Correctional Service—				
Parolees.....	12,617	7,650	12,315	7,952
Transport—				
Canadian Airport Authorities.....	21,420,967	1,035,393	3,235,364	19,220,996
Saint John Harbour Bridge Authority .....	25,023,717		871,365	24,152,352
St. Lawrence Seaway Management Corporation.....	715,732		24,158	691,574
47,160,416		1,035,393	4,130,887	44,064,922
Veterans Affairs—				
Commonwealth War Graves Commission .....	68,079	1,530 <sup>(3)</sup>		69,609
Veterans' Land Act Fund—				
Advances .....	163,027		26,673	136,354
231,106		1,530	26,673	205,963
Other departments—				
Miscellaneous.....	1,400,045		995,720	404,325
Subtotal .....	5,471,408,653	2,596,431,315	853,457,215	7,214,382,753
Add: consolidation adjustment <sup>(4)</sup> .....	457,786,000	95,234,000		553,020,000
Total—Other.....	5,929,194,653	2,691,665,315	853,457,215	7,767,402,753
Total.....	6,773,610,937	4,090,268,783	2,263,581,899	8,600,297,821

<sup>(1)</sup> Certain comparative figures have been reclassified to conform to the current year's presentation.<sup>(2)</sup> Previously reported as «Other receivables» in Section 7 of this volume.<sup>(3)</sup> This amount represents a revaluation adjustment.<sup>(4)</sup> Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

## **Unconditionally repayable contributions**

Unconditionally repayable contributions are, in substance loans, and are generally made to businesses pursuant to various Acts of Parliament, with various total authorized amounts outstanding.

These loans are aimed at stimulating economic development or for assistance. They bear various interest rates, some of which have concessional terms, and are repayable at various due dates with final instalments due within up to 10 years of initial disbursement.

## **Missions abroad**

Non-interest bearing advances have been made for interim financing of expenses at missions abroad, pending distribution to appropriations of Foreign Affairs and International Trade and other departments and agencies.

The total amount authorized to be outstanding at any time is \$50,000,000.

## **Personnel posted abroad**

A working capital advance account was established to finance loans and advances to employees posted abroad, including employees of other Government departments and agencies, as well as medical advances to locally-engaged staff.

The total amount authorized to be outstanding at any time is \$22,500,000.

The closing balance consists of loans to employees, \$9,793,416; advances for medical expenses, \$1,044,500; advances for workmen's compensation, \$24,056; security and other deposits under Foreign Service Directives, \$682,799 and, school and club debentures, \$1,100,432.

The loans to employees bear interest at rates from 2.5 percent to 3.5 percent per annum, and are repayable over 1 to 4 years, with final instalments between April 1, 2003 and March 1, 2007.

## **Imprest accounts, standing advances and authorized loans**

This account was established for the purpose of financing: (a) public funds imprest and public funds advance accounts; (b) standing advances; (c) authorized loans and advances to employees posted abroad; and, (d) authorized recoverable advances to establish military messes and canteens.

The total amount authorized to be outstanding at any time is \$120,000,000, as last amended by National Defence Vote L11b, *Appropriation Act No. 4, 2001-2002*.

## **Miscellaneous accountable advances**

The closing balance reflects amounts outstanding in the hands of departments, agencies and individuals, at year end, to be expended in the following year.

## **Miscellaneous accountable imprest and standing advances**

This account is operated to provide imprest funds, accountable advances and recoverable advances to departments and agencies.

The total amount authorized to be outstanding at any time is \$22,000,000.

## **Construction of multi-purpose exhibition buildings**

Loans have been made to finance the construction of multi-purpose exhibition buildings.

The loans bear interest at rates from 7.488 percent to 9.351 percent per annum, and are repayable over 20 to 30 years, with final instalments between May 31, 2003 and June 30, 2006.

## **National Marketing Programs**

Loans made by financial institutions under the *Farm Improvement and Marketing Cooperative Loans Act* and advances made by producer organizations under the *Agricultural Marketing Programs Act* are guaranteed by the Crown. Where the guarantee is honoured, the Crown becomes subrogated to the financial institution's or producer organization's rights to outstanding principal, interest and costs.

## **Cultural property**

Loans have been made to institutions and public authorities in Canada, for the purchase of objects in respect of which export permits have been refused under the *Cultural Property Export and Import Act*, or for the purchase of cultural property situated outside Canada which is related to the national heritage.

Although authority for additional loans was provided by Canadian Heritage Vote L10, *Appropriation Act No. 2, 2002-2003*, no loans were made during the year. The total loan authority is \$10,000 per year.

## **Immigration loans (formerly Transportation and assistance loans)**

Section 88 of the *Immigration and Refugee Protection Act* authorizes the making of loans for the purpose of the *Act*.

The total amount authorized to be outstanding at any time is \$110,000,000.

The terms and conditions of the loans, with their year-end balances, are as follows:

(a) repayable by monthly instalments over 1 to 6 years, with a possible deferment of 2 years, bearing interest at rates from 3.8 percent to 15 percent per annum, with final instalments between April 1, 2003 and April 1, 2011, \$41,755,409; and,

(b) repayable by monthly instalments over 1 to 6 years, with a possible deferment of 2 years, non-interest bearing, with final instalments past due, \$1,770,264.

During the year, loans totalling \$664,273 were written off by Citizenship and Immigration Vote 2b, *Appropriation Act No. 4, 2002-2003*.

### **Canadian Commercial Bank**

Advances have been made to the Canadian Commercial Bank representing the Government's participation in the support group as authorized by the *Canadian Commercial Bank Financial Assistance Act*. These funds represent the Government's participation in the loan portfolio that was acquired from the Bank and the purchase of outstanding debentures from existing holders.

### **Financial Consumer Agency of Canada—Advances**

Interest-bearing advances have been made to defray the cost of operation of the Agency pursuant to Section 13(1) of the *Financial Consumer Agency of Canada Act*.

The advances are repayable within one year.

### **Ottawa Civil Service Recreational Association**

Loans have been made to the Ottawa Civil Service Recreational Association, to assist in the building and development of the W Clifford Clark Memorial Centre.

The remaining loan bears interest at the rate of 4.25 percent per annum, and is repayable in equal semi-annual instalments over 45 years, with the final instalment due September 30, 2005.

### **Canadian producers of frozen groundfish**

Loans have been made to Canadian producers of frozen groundfish, canned and frozen crabmeat, and canned and frozen lobster meat, to assist in the financing of inventories.

The loans bore interest at the rate of 13 percent per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1987. These loans are deemed unrecoverable and parliamentary authority is required to write off the balance.

### **Haddock fishermen**

Loans have been made to Nova Scotia haddock fishermen whose fishery was closed from February 1 to May 31, 1975, pursuant to an agreement under the International Agreement for the Northwest Atlantic Fisheries. The total loan authority is \$1,650,000.

The loans bore interest at the rate of 8 percent per annum, and were repayable in equal annual instalments over 4 years, with the final instalment in 1979. These loans are deemed unrecoverable and parliamentary authority is required to write off the balance.

### **Development of export trade**

Pursuant to section 23 of the *Export Development Act*, the Governor in Council may authorize the Corporation to make loans where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

Prior to April 1, 1987, these loans were made under non-budgetary authority. Since April 1, 1987, interest-free or low interest bearing loans are made under budgetary authority because of their concessional nature. Any similar loans that were issued prior to April 1, 1987 are fully provided for in the allowance for valuation of assets.

The following table presents the balances and transactions for the loans made to the private sector, together with their terms and conditions of repayments. The subtotal of loans to the private sector includes, where applicable, total payments made under both budgetary and non-budgetary authorities. Total payments made under budgetary authority are deducted as a lump sum amount under the caption "budgetary treatment".

	Payments and other charges		Receipts and other credits		Revaluation	March 31/2003
	April 1/2002	Payments or other charges <sup>(1)</sup>	Receipts or other credits <sup>(2)</sup>			
		\$	\$	\$	\$	\$
<b>NON-BUDGETARY LOANS<sup>(3)</sup></b>						
(a) 1 to 5 year term, 5.93 percent (London Interbank Offered Rate (LIBOR)) to 8.5 percent interest per annum, with final repayments between February 1995 and February 2001:						
Brazil .....	5,271,800				413,332	4,858,468
Iran .....	5,721,198			5,633,999	87,199	
South Africa .....	54,806,982			9,153,600	3,183,002	42,470,380
	65,799,980			14,787,599	3,683,533	47,328,848
(b) 6 to 10 year term, 5.93 percent (LIBOR) interest per annum, with final repayments June 2004:						
Antigua .....	36,484,160			390,830	2,920,624	33,172,706
Jordan .....	8,018,622			1,820,004	400,435	5,798,183
Kyrgyzstan .....	33,214,585			32,708,333	506,252	
	77,717,367			34,919,167	3,827,311	38,970,889
(c) 1 to 15 year term, 7.5 percent to 8.5 percent interest per annum, with final repayments between April 2004 and October 2018:						
United States .....	209,360,042	502,475,382		7,128,149	38,390,318	666,316,957
Total—Non-budgetary .....	352,877,389	502,475,382		56,834,915	45,901,162	752,616,694
<b>BUDGETARY LOANS<sup>(3)</sup></b>						
(a) 11 to 15 year term, 8.5 percent interest per annum, with final repayments between October 1983 and September 2001:						
Antigua .....	1,764,706				1,764,706	
(b) 16 to 20 year term, 0 percent interest per annum, with final repayments in June 2012:						
Spain .....	20,591,376			3,418,545	911,683	23,098,238
Thailand .....	7,812,071			384,650	587,829	6,839,592
	28,403,447			3,418,545	1,296,333	587,829
(c) 40 year term, 0 percent interest per annum, with final repayment in March 2036:						
Antigua .....	2,348,272	1,764,706	258,012	2,907,034		1,463,956
Subtotal—Budgetary .....	32,516,425	1,764,706	3,676,557	5,968,073	587,829	31,401,786
Less: budgetary treatment .....	30,401,129			2,830,715	3,122,131	36,353,975
Total—Budgetary .....	2,115,296	1,764,706	3,676,557	8,798,788	3,709,960	(4,952,189)
Total .....	354,992,685	504,240,088	3,676,557	65,633,703	49,611,122	747,664,505
<b>SUMMARY</b>						
Total—Non-budgetary .....	352,877,389	502,475,382		56,834,915	45,901,162	752,616,694
Total—Budgetary .....	32,516,425	1,764,706	3,676,557	5,968,073	587,829	31,401,786
Total .....	385,393,814	504,240,088	3,676,557	62,802,988	46,488,991	784,018,480
Less: budgetary treatment .....	30,401,129			2,830,715	3,122,131	36,353,975
Total .....	354,992,685	504,240,088	3,676,557	65,633,703	49,611,122	747,664,505

(1) Payments or other charges may include transactions such as loans, adjustments, etc.

(2) Receipts or other credits may include transactions such as repayments, forgiveness, etc.

(3) Final repayment dates may change if loan amounts are rescheduled or restructured.

(4) The credit balance is the result of a loan reclassification and will be adjusted in the new year.

## Direct financing to students

### Direct loans to students

Loans issued on or after August 1, 2000 are operated under the authority of section 6.1 of the *Canada Student Financial Assistance Act*, which authorizes the Minister of Human Resources Development to enter into loan agreements directly with any qualifying student. Agreements are subject to the terms and conditions approved by the Governor in Council, on the recommendation of the Minister of Human Resources Development with the concurrence of the Minister of Finance.

The total amount of loans outstanding may not exceed fifteen billion dollars, except as otherwise provided by an Appropriation Act or other Act of Parliament.

The total amount of loans outstanding as at March 31, 2003 amounts to \$4,277,965,722 (\$2,882,586,945 as at March 31, 2002).

### Guaranteed and risk-shared student loans

Loans issued prior to August 1, 2000 includes loans outstanding which are amounts related to student loans subrogated to the Crown under the *Canada Student Loans Act* and under the *Canada Student Financial Assistance Act*, amounting to \$953,440,566 as at March 31, 2003, (\$1,072,553,808 as at March 31, 2002).

## Provincial workers' compensation boards

This account is operated under the authority of subsection 4(6) of the *Government Employees Compensation Act*, to provide operating funds to enable provincial compensation boards to administer the *Act* on behalf of the Crown, and pay claims to Canadian Government employees injured in the course of their employment.

The total amount of advances that is authorized to be made to all provincial workers' compensation boards is not to exceed three months' disbursements for compensation.

The advances are non-interest bearing and are to be repaid on termination of agreements with provincial boards.

## Council of Yukon First Nations—Elders

Loans have been made to the Council of Yukon First Nations, to provide interim benefits to elderly Yukon Indians pending settlement of Yukon Indian land claims.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L20 and L20a, *Appropriation Acts No. 2 and No. 3, 2002-2003*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been

reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,

- (c) loans are due and payable, as to principal and interest, on the date on which the claim is settled or on a date fixed in the agreement, which shall be not later than March 31, 2003, whichever date is earlier.

All the loans outstanding at year end bear interest at rates from 3.32 percent to 3.61 percent per annum.

During the year, loans totalling \$5,505,906 were written off by Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 4, 2002-2003* which included \$1,470,373 in interest.

## Farm Credit Canada Guarantee Loans Program (formerly Farm Credit Corporation Guarantee Loans Program)

The Farm Credit Canada guarantee loans program was discontinued as of November 14, 1989. The program will continually decrease in size as the Farm Credit Canada guarantees expire.

Out of the \$1.7 billion authority for the On Reserve Housing program, \$46,755 has been set aside to cover the existing Farm Credit Canada guarantees.

The debt is non-interest bearing.

## First Nations in British Columbia

Loans have been made to First Nations in British Columbia, to support their participation in the British Columbia Treaty Commission process related to the research, development and negotiation of treaties.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L25, *Appropriation Act No. 2, 2002-2003*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a treaty is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a treaty has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable by the First Nations and will pay the loan on the earliest of the following dates:
  - (i) date on which the treaty is settled;
  - (ii) twelfth anniversary of the first loan advance to the First Nations under the earliest First Nations funding agreement;

- (iii) seventh anniversary after the signing of an agreement-in-principal, or;
- (iv) date the federal minister demands payment of the loans due to an event of default under this agreement or under any First Nation's funding agreement.

The interest-bearing and non-interest bearing portions of the loans outstanding at year end are \$48,777,175 and \$204,138,167 respectively. The rate is 5.185 percent per annum for the interest-bearing portion.

### **Indian Economic Development Fund**

Loans have been made for the purposes of economic development of Indians, to Indians or Indian bands, or to individuals, partnerships or corporations, the activities of which contribute or may contribute to such development.

The total amount authorized to be outstanding at any time is \$48,550,835, as last amended by Indian Affairs and Northern Development Vote 7b, *Appropriation Act No. 4, 1996-97*.

All outstanding loans bear interest at rates from 7 percent to 11.25 percent per annum.

During the year, loans totalling \$641,638 were forgiven by Indian Affairs and Northern Development Vote 7b, *Appropriation Act No. 4, 2002-2003* which included \$203,580 in interest.

### **Indian Economic Development Guarantee Loans Program**

The Indian Economic Development Guarantee authority, established under Vote L53(b), *Appropriation Act No. 1, 1970*, amended under P.C. 1977-3608, authorized the department to guarantee loans for Indian businesses on a risk-sharing basis with commercial lenders. The guarantee level is not to exceed at any time \$60,000,000, less the total amount of payments made to implement previous guarantees under that authority.

Simple interest, usually based on a percentage plus the prime rate, will accrue on the debt after payout. All payments, including accrued interest, remain as a debt of the client until recovered in full.

### **Inuit Loan Fund**

Loans have been made to individual Inuit or groups of Inuit, to promote commercial activities and gainful occupations. Loans have also been made to co-operative associations, credit unions, caisses populaires or other credit societies incorporated under provincial laws, where the majority of members are Inuit, or to corporations incorporated under the laws of Canada, or provincial laws, where the controlling interest is held by Inuit.

The total amount authorized to be outstanding at any time is \$6,633,697, as last amended by Indian Affairs and Northern Development Vote 37b, *Appropriation Act No. 4, 1995-96*.

The remaining loan bears interest at a rate of 9.75 percent per annum.

### **Native claimants**

Loans have been made to native claimants, to defray the costs related to the research, development and negotiation of claims.

During the year, loans were authorized by Indian Affairs and Northern Development Votes L20 and L20a, *Appropriation Acts No. 2 and No. 3, 2002-2003*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable as to principal and interest on the date on which the claim is settled, or on a date fixed in the agreement, which shall be not later than March 31, 2010, whichever date is earlier.

The interest bearing and the non-interest bearing portions of the loans outstanding at year end are \$147,231,409 and \$185,323,331 respectively. Rates are from 2.28 percent to 11.89 percent per annum for the interest-bearing portion.

During the year, loans totalling \$23,650,829 were written off by Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 4, 2002-2003*.

### **On Reserve Housing Guarantee Loans Program**

On Reserve Housing guarantees provide needed support to Indian or Indian bands residing on reserves or crown land. Reserves are, as such, non mortgageable and the ministerial guarantee provides security to the lending institution in the event of a default by the client.

The total amount authorized to be outstanding at any time is \$1.7 billion (of which \$46,755 has been set aside for the Farm Credit Canada Program existing guarantees), as last amended by Indian Affairs and Northern Development Vote 5, *Appropriation Act No. 3, 1972*, Indian Affairs and Northern Development Vote 5d, *Appropriation Act No. 1, 1977* and Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 3, 1993-94*.

If a loan made under the Minister's guarantee goes into default, the lender has recourse to the Minister for reimbursement. In 1987, a reserve for losses of \$2 million per annum was established within the department's reference levels to cover all three Guarantee Loan Programs administered by Indian Affairs and Northern Development. Such payments remain a debt of the First Nation to the Crown and interest is accrued and capitalized on these debts at the contract interest rate applicable at the time the loan was assigned to the Minister. Recovery of the debt is made to the extent possible, from the security used as collateral, such as trust money or land claim funds, or through repayment agreements.

## **Stoney Band Perpetual Loan**

In 1946, loans were made to Stoney Band of Alberta for land acquisition beyond their treaty entitlement.

A loan of \$500,000 was made to purchase additional land. Under the terms of the agreement, as stated in Treasury Board Minutes, P.C. 2/1437 dated April 11, 1946, the Band assigned monies accruing to them, from the rental of their water resources to provide interest payments at the rate of 3 percent annually on the amount of the loan that had actually been expended. In the same agreement, the Band resolved that the Department allots \$200,000 to the Pekisko Group, and \$300,000 for the additions to Morley Reserve.

## **Yukon Energy Corporation**

In accordance with subsection 4(2) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*, the Northern Canada Power Commission (formerly a Crown corporation) transferred its assets in the Yukon Territory to the Yukon Energy Corporation effective March 31, 1987.

Loans have been made to assist the Yukon Energy Corporation in acquiring the Northern Canada Power Commission Yukon Assets pursuant to subsection 7(1) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*.

The loans for the Flexible Term Note (FTN) bear interest at the rate of 7 percent per annum and are repayable in equal principal annual instalments of \$1,000,000 plus interest with the final instalment on January 1, 2028. The instalment is subject to certain principal deferral and interest abatement provisions depending on the sales volume of electrical power. Clause 2 of the Flexible Term Note allows for reduced payments when sales on the Whitehorse-Aishihik-Faro (WAF) System are less than 310 GWH per year. The level of sales did not exceed 310 GWH this fiscal year. Furthermore, interpretation of the FTN relating to the sales of power is currently under discussion between the Department and the Yukon Energy Corporation.

## **Company stock option**

Pursuant to section 14 of the *Department of Industry Act*, this account establishes authority, in accordance with terms and conditions prescribed by regulations of the Governor in Council,

- (a) to take, purchase, exercise, assign or sell, on behalf of Her Majesty in Right of Canada, a stock option in a company in connection with the provision of a loan, insurance of a loan, or contribution made to the company by Her Majesty under a program authorized by the Governor in Council where, in the opinion of the Minister,
  - (i) it is necessary to take, purchase, exercise, assign or sell the stock option in order to permit Her Majesty in Right of Canada to benefit from the purchase; or

- (ii) it is necessary to take, purchase, exercise, assign or sell, the stock option in order to protect the Crown's interest in respect of a loan made or insured, or contribution made; and

- (b) to authorize the sale or other disposition of any capital stock acquired.

During the year, additional purchases were authorized by Industry Vote L10, *Appropriation Act No. 2, 2002-2003*.

## **Manufacturing, processing and service industries in Canada**

This account records loans made to persons engaged or about to engage or assist in manufacturing, processing or service industries in Canada in order to promote the establishment, improvement, growth, efficiency or international competitiveness of such industries or to assist them in their financial restructuring.

During the year, additional loans were authorized by Industry Vote L15, *Appropriation Act No. 2, 2002-2003*.

There is one remaining loan which is interest free unless it goes into default, and otherwise is repayable at maturity on April 1, 2017.

## **Small Business loans**

This account records money owed to the Government by borrowers upon default of loans that are subject to statutory authorities, pursuant to the *Small Business Loans Act* (SBLA) and the *Canada Small Business Financing Act* (CSBFA). These authorities provide for the payment of claims or the sharing of loan losses between lenders and the Government.

## **H. L. Holmes Fund**

This account was established pursuant to paragraph 5(1)(f) of the *National Research Council Act* to record the residue of the estate of H. L. Holmes. Up to two thirds of the yearly net income from the fund shall be used to finance the H. L. Holmes Award on an annual basis. These awards will provide the opportunity to post-doctoral students to study at world famous graduate schools or research institutes under outstanding research persons.

## **Canadian Forces housing projects**

Advances have been made to the Canada Mortgage and Housing Corporation, in respect of loans arranged by the Corporation for housing projects for occupancy by members of the Canadian Forces.

The loans bear interest at rates from 4 percent to 5.75 percent per annum, and are repayable over 35 to 40 years, with final instalments between April 1, 2003 and May 1, 2005.

## Hibernia Development Project

Loans have been made to facilitate the implementation of the Hibernia Development Project pursuant to section 14 of the *Department of Industry Act*.

Loan agreements were signed between Canada and each of the three companies involved in the 1993 purchase of Gulf Canada's Hibernia share. Loans of \$132 million were provided to owners to assist in offsetting the tax consequences of not being able to use the deductions generated by the Hibernia Development Project in the calculation of the companies' taxable income.

Loans in the amount of \$66 million were made on June 30, 1995 as authorized by Natural Resources Vote L15, *Appropriation Acts No. 1 and No. 2, 1995-96*. The remaining \$66 million was loaned on July 2, 1996.

Loans are interest-free and are repayable in 10 equal annual instalments commencing June 30, 1999, with the final instalment on June 30, 2008.

## Nordion International Inc.

A \$100 million loan has been made to Nordion International Inc. for the construction of two nuclear reactors and related processing facilities to be used in the production of medical isotopes pursuant to an agreement reached on June 28, 1996 between MDS Health Group Ltd., Nordion International Inc. and Natural Resources Canada.

The secured loan is interest-free and fully repayable over 15 years commencing 42 months after the first loan drawdown was made.

## Seized Property Working Capital Account

This account was established by section 12 of the *Seized Property Management Act*. Expenses incurred, and advances made, to maintain and manage any seized or restrained property and other properties subject to a management order or forfeited to Her Majesty, are charged to this account. This account is credited when expenses and advances to third parties are repaid or recovered and when revenues from these properties or proceeds of their disposal are received and credited with seized cash upon forfeiture.

The total amount authorized to be outstanding at any time is \$50,000,000.

Any shortfall between the proceeds from the disposition of any property forfeited to Her Majesty and the amounts that were charged to this account and that are still outstanding, is charged to a Seized Property Proceeds Account and credited to this account.

## Parolees

Loans have been made to parolees and individuals under mandatory supervision, to assist in their rehabilitation.

The total amount authorized to be outstanding at any time is \$50,000.

The loans are non-interest bearing and are repayable before the expiration of the parole period, or within one year from the date the loans were made, whichever period is the shorter. The repayment of a loan or any part thereof may be forgiven by the Solicitor General, if certain conditions are met.

During the year, loans totalling \$6,768 were forgiven pursuant to Solicitor General Vote L103b, *Appropriation Act No. 1, 1969*.

## Canadian Airport Authorities

The loans stems from agreements regarding the transfer of chattels and consumable stock to individuals authorities (13) upon transfer of the management, operation and maintenance responsibilities to the authority under the National Airports Policy.

The loans portfolio consist of 13 non-interest bearing loans to Canadian Airport Authorities issued in the years 1997-2003.

## Saint John Harbour Bridge Authority

Advances have been made to the Saint John Harbour Bridge Authority in connection with the financing, construction and operation of a toll bridge across the harbour of Saint John, NB. The total amount of advances in each year is to be based on the difference for the year between the operating and financing costs of the toll bridge, and the revenue of the Bridge Authority, repayable when the revenue of the Bridge Authority for the year exceeds the amount of the operating and financing costs for such year.

On April 1, 1990, a new agreement was signed. This agreement called for the consolidation of all debts into one non-interest bearing loan. The Authority will remit excess funds from the operation of the bridge to the Government on an annual basis to repay the debt.

## St. Lawrence Seaway Management Corporation

This account was established by subsection 80(1) of the *Canada Marine Act*. Loans previously managed by the St. Lawrence Seaway Authority are now managed by the St. Lawrence Seaway Management Corporation in accordance with an agreement between the Department of Transport and the Corporation. The repayments of these loans are recorded in this account.

These loans bear interest at rates from 7 percent to 9.5 percent per annum, and are repayable at monthly rates, with the final instalment of the existing terms being March 2004.

## Commonwealth War Graves Commission

Advances have been made to the working capital fund of the Commonwealth War Graves Commission, to maintain graves and cemeteries.

At year end, the balance of the advances was £30,000 UK. This balance was converted to Canadian dollars, using the year-end rate of exchange.

The advances are non-interest bearing and have no fixed terms of repayments.

## Veterans' Land Act Fund

### *Advances*

Advances have been made, under Parts I and III of the *Veterans' Land Act*, for the acquisition of land, permanent improvements, removal of encumbrances, purchase of stock and equipment, and protection of security. The total amount authorized to be outstanding at any time is \$605,000,000.

### *Allowance for conditional benefits*

A provision equal to 1/10 of the benefits to veterans was established each year up to and including 1978-79. Since that time, a forecast of requirements has been performed each year, and provisions are established as necessary. These provisions are charged to expenses and credited to the allowance for conditional benefits account. This account represents the accumulated net provisions for benefits to veterans in the form of forgiveness of loans authorized by the *Veterans' Land Act*. These benefits come into effect only after certain conditions are fulfilled by the veterans. At the end of 10 years, the conditions having been met, the accumulated provision is charged to the allowance for conditional benefits account, and credited to the veteran's loan account.

## Other departments—Miscellaneous

This account represents amounts outstanding in the hands of departments, agencies and individuals, at year end. This group records loans, investments and advances not classified elsewhere.

## Allowance for Valuation

In accordance with the comprehensive policy on valuation, assets are subject to an annual valuation to reflect reductions from the recorded value to the estimated realizable value.

The allowance for valuation, for loans, investments and advances, represents the estimated losses on the realization of the loans, investments and advances included in the accounts of Canada at year end.



# **SECTION 10**

**2002-2003**

***PUBLIC ACCOUNTS OF CANADA***

## **Non-Financial Assets**

### **CONTENTS**

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## NON-FINANCIAL ASSETS

Non-financial assets are assets that have an economic life that extends beyond the accounting period and that are intended for consumption in the normal course of operations. They are converted into expense in future periods and include tangible capital assets, inventories, and prepaid expenses.

Tangible capital assets consist of acquired, built, developed or improved tangible assets, which are intended to be used on a continuous basis and are not intended for sale in the ordinary course of business. For financial reporting purposes, tangible capital assets are grouped in the following categories: land, buildings, works and infrastructure, machinery and equipment,

vehicles, leasehold improvements, assets under construction, and assets under capital leases.

Inventories are items of tangible property that are to be used in the delivery of program outputs. Some revolving funds and a few departments may have inventories held for resale to parties outside the Government.

Prepaid expenses are disbursements made, pursuant to a contract, before the completion of the work, delivery of the goods or rendering of the service or advance payments under the terms of contribution agreements.

Table 10.1 presents the non-financial assets by category.

**TABLE 10.1**

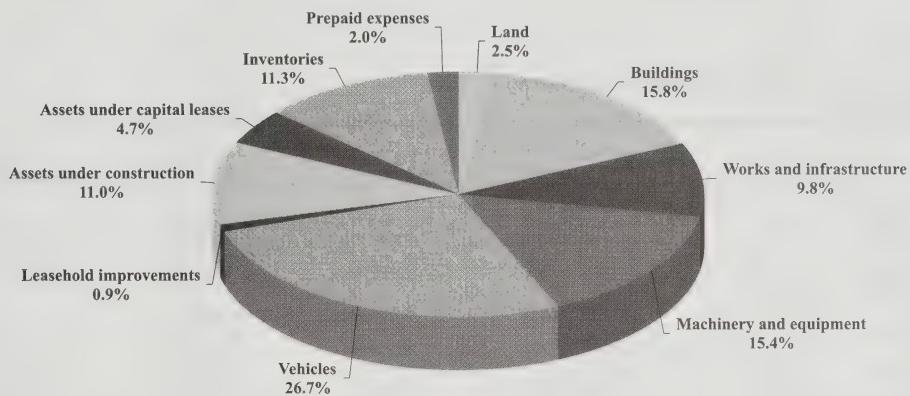
### NON-FINANCIAL ASSETS BY CATEGORY

(in thousands of dollars)

	March 31/2002	March 31/2003
Net tangible capital assets, Table 10.2—		
Land .....	1,269,260	1,345,284
Buildings .....	8,681,526	8,543,727
Works and infrastructure .....	5,295,715	5,297,960
Machinery and equipment .....	7,246,656	8,357,761
Vehicles, Table 10.3 .....	14,242,353	14,485,862
Leasehold improvements .....	414,713	512,538
Assets under construction .....	6,108,279	5,947,938
Assets under capital leases, Table 10.4 .....	2,465,765	2,543,398
Inventories .....	45,724,267	47,034,468
Prepaid expenses .....	6,437,511	6,112,813
Total .....	1,200,442	1,092,761
	<b>\$3,362,220</b>	<b>\$4,240,042</b>

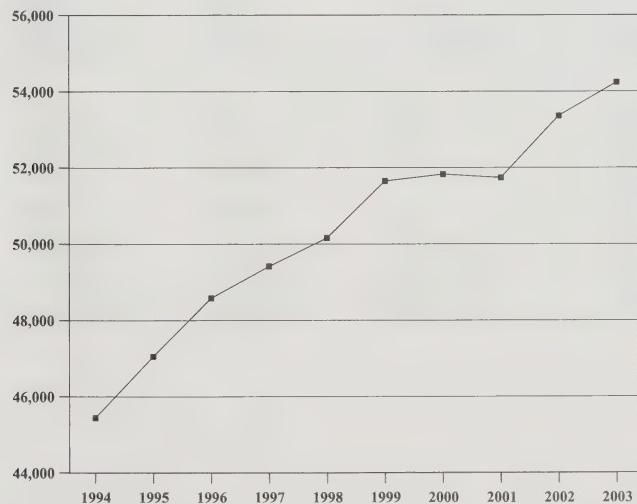
**CHART 10A**

NON-FINANCIAL ASSETS BY CATEGORY AT MARCH 31, 2003

**CHART 10B**

NON-FINANCIAL ASSETS AT MARCH 31

(in millions of dollars)



## Tangible Capital Assets

Table 10.2 presents tangible capital assets by main custodian ministries.

TABLE 10.2

### TANGIBLE CAPITAL ASSETS BY MAIN CUSTODIAN MINISTRIES (in thousands of dollars)

	Land	Buildings	Works and infrastructure	Machinery and equipment
<b>Capital assets at cost —</b>				
Canadian Heritage.....	143,643	644,762	2,150,405	349,812
Fisheries and Oceans.....	20,207	383,739	1,688,498	433,958
Industry .....	12,353	436,837	31,380	2,180,007
National Defence.....	75,909	4,761,746	1,361,501	9,577,101
Public Works and Government Services				
of Canada .....	269,648	3,116,629	656,311	117,277
Solicitor General.....	50,002	2,104,230	364,101	444,826
Transport .....	199,402	1,216,609	3,072,505	95,842
Other ministries.....	251,512	2,190,932	42,751	1,779,693
1,022,676	14,855,484	9,367,452	1,110,655	14,978,516
Consolidated Crown corporations.....	322,608	728,125		1,792,291
Gross total capital assets .....	1,345,284	15,583,609	10,478,107	16,770,807
 Accumulated amortization —				
Canadian Heritage.....		377,085	1,260,801	222,996
Fisheries and Oceans.....		214,143	713,489	331,642
Industry .....		219,279	12,495	941,362
National Defence.....		1,962,362	848,469	4,117,488
Public Works and Government Services				
of Canada .....	1,557,816	222,006		66,138
Solicitor General.....	668,055	186,716		281,944
Transport .....	627,307	1,342,309		58,934
Other ministries.....	993,540	18,916		1,111,026
6,619,587	4,605,201			7,131,530
Consolidated Crown corporations.....	420,295	574,946		1,281,516
Total accumulated amortization .....	7,039,882	5,180,147		8,413,046
 Total net capital assets —				
Canadian Heritage.....	143,643	267,677	889,604	126,816
Fisheries and Oceans.....	20,207	169,596	975,009	102,316
Industry .....	12,353	217,558	18,885	1,238,645
National Defence.....	75,909	2,799,384	513,032	5,459,613
Public Works and Government Services				
of Canada .....	269,648	1,558,813	434,305	51,139
Solicitor General.....	50,002	1,436,175	177,385	162,882
Transport .....	199,402	589,302	1,730,196	36,908
Other ministries.....	251,512	1,197,392	23,835	668,667
1,022,676	8,235,897	4,762,251		7,846,986
Consolidated Crown corporations.....	322,608	307,830	535,709	510,775
Total net capital assets .....	1,345,284	8,543,727	5,297,960	8,357,761

<sup>(1)</sup> Details in Table 10.3.<sup>(2)</sup> Details in Table 10.4.

Vehicles <sup>(1)</sup>	Leasehold improvements	Assets under construction	Assets under capital leases <sup>(2)</sup>	Total March 31/2003	Total March 31/2002
96,975	7,924	73,106	2,197	3,468,824	3,429,386
1,655,876	523,497	357,495		5,063,270	5,012,667
26,901	7,996	466,405	7	3,161,886	2,936,360
23,983,491		3,426,182	992,505	44,178,435	42,295,540
8,843	45,968	589,249	793,960	5,597,885	4,807,710
369,033	5,899	192,100	113	3,530,304	3,521,052
810,989	6,805	68,272	818,820	6,289,244	6,329,648
192,564	196,146	485,330	62,555	5,201,483	4,588,961
27,144,672	794,235	5,658,139	2,670,157	76,491,331	72,921,324
1,068,824	28,667	289,799	550,354	5,891,323	5,621,583
28,213,496	822,902	5,947,938	3,220,511	82,382,654	78,542,907
69,340	2,583		1,510	1,934,315	1,867,170
1,079,465	243,503			2,582,242	2,483,436
18,956	1,074		5	1,193,171	1,010,682
11,182,329			131,263	18,241,911	16,818,714
4,848	2,022		321,903	2,174,733	1,929,151
171,826	183		26	1,308,750	1,255,563
498,924	3,300		47,765	2,578,539	2,428,757
114,060	49,374		11,677	2,298,593	2,009,752
13,139,748	302,039		514,149	32,312,254	29,803,225
587,886	8,325		162,964	3,035,932	3,015,415
13,727,634	310,364		677,113	35,348,186	32,818,640
27,635	5,341	73,106	687	1,534,509	1,562,216
576,411	279,994	357,495		2,481,028	2,529,231
7,945	6,922	466,405	2	1,968,715	1,925,678
12,801,162		3,426,182	861,242	25,936,524	25,476,826
3,995	43,946	589,249	472,057	3,423,152	2,878,559
197,207	5,716	192,100	87	2,221,554	2,265,489
312,065	3,505	68,272	771,055	3,710,705	3,900,891
78,504	146,772	485,330	50,878	2,902,890	2,579,209
14,004,924	492,196	5,658,139	2,156,008	44,179,077	43,118,099
480,938	20,342	289,799	387,390	2,855,391	2,606,168
14,485,862	512,538	5,947,938	2,543,398	47,034,468	45,724,267

## Vehicles

Table 10.3 presents the details of vehicles by sub-category.

**TABLE 10.3****VEHICLES BY SUB-CATEGORY**

(in thousands of dollars)

	Cost	Accumulated amortization	March 31/2003	March 31/2002
Ships and boats.....	13,215,999	4,852,899	8,363,100	8,539,002
Aircraft.....	11,076,120	6,443,798	4,632,322	4,415,112
Motor vehicles.....	1,686,789	966,299	720,490	672,565
Military vehicles.....	1,041,343	788,113	253,230	120,375
Other vehicles.....	1,193,245	676,525	516,720	495,299
Total .....	28,213,496	13,727,634	14,485,862	14,242,353

## Assets under Capital Leases

Table 10.4 presents the details of assets under capital leases by main categories.

**TABLE 10.4****ASSETS UNDER CAPITAL LEASES BY MAIN CATEGORY**

(in thousands of dollars)

	Cost	Accumulated amortization	March 31/2003	March 31/2002
Land .....	44,942	44,942	44,942	44,942
Buildings.....	1,416,100	498,561	917,539	879,764
Works and infrastructure.....	818,820	47,765	771,055	782,350
Machinery and equipment.....	128,240	29,961	98,279	97,056
Vehicles.....	812,409	100,826	711,583	661,653
Total .....	3,220,511	677,113	2,543,398	2,465,765

# **SECTION 11**

**2002-2003**

***PUBLIC ACCOUNTS OF CANADA***

## **Other Information Related to the Financial Statements**

### **CONTENTS**

	<i>Page</i>
Contractual commitments .....	11.2
Contingent liabilities .....	11.14

## OTHER INFORMATION RELATED TO THE FINANCIAL STATEMENTS

This section contains detailed information related to contractual commitments and contingent liabilities.

### Contractual Commitments

A contractual commitment represents a legal obligation to outside organizations or individuals as a result of a contract. The nature of Government activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenses. In the case of contractual commitments to international organizations, some will result in future budgetary expenses while others will result in non-budgetary payments.

Contractual commitments can be classified into four main categories: transfer payment agreements (grants and contributions), fixed assets and purchases, operating leases and international organizations.

Major capital assets of the Government are either purchased outright or leased. Where a lease transfers substantially all of the benefits and risks incidental to ownership of the property to the

lessee, it is considered a capital lease. All other leases are classified as operating leases. Section 6 of this Volume provides information on capital leases.

All outstanding contractual commitments of \$10 million or more per project at year end are reported for fixed assets, purchases, operating leases and transfer payment agreements. For international organizations, all contractual commitments in excess of \$1 million at year end are reported.

In accordance with the Government's significant accounting policies, the contractual commitments of consolidated Crown corporations are included with those of the Government.

Table 11.1 summarizes these contractual commitments. Details of the four types of contractual commitments will be found in other tables in this section.

**TABLE 11.1**

#### CONTRACTUAL COMMITMENTS

(in millions of dollars)

	Transfer payments	Acquisition of property and purchases	Operating leases	International organizations	Total
<b>Information from:</b>					
Table 11.3 .....	16,784	7,418	3,403		27,605
Table 11.4 .....				5,466	5,466
<b>Total</b> .....	<b>16,784</b>	<b>7,418</b>	<b>3,403</b>	<b>5,466</b>	<b>33,071</b>

Table 11.2 summarizes the information presented in Table 11.1 to indicate the minimum amounts required to satisfy obligations under contractual commitments each year from 2004 to 2008 inclusive, and a total for amounts due in the year 2009 and subsequently.

**TABLE 11.2**

#### SCHEDULE OF MINIMUM PAYMENTS

(in millions of dollars)

Minimum payments to be made in:	Transfer payment agreements	Acquisition of fixed assets and purchases	Commitments under operating lease arrangements	Commitments to international organizations	Total
2004 .....	\$ 156	2,395	320	1,676	9,547
2005 .....	3,898	1,314	296	1,292	6,800
2006 .....	2,880	885	301	489	4,555
2007 .....	2,358	604	291	356	3,609
2008 .....	2,177	415	292	1,653	4,537
2009 and subsequently	315	1,805	1,903		4,023
<b>Total</b> .....	<b>16,784</b>	<b>7,418</b>	<b>3,403</b>	<b>5,466</b>	<b>33,071</b>

## Transfer Payment Agreements, Fixed Assets, Purchases and Operating Leases

Table 11.3 provides details of contractual commitments that involve: transfer payment agreements, fixed assets, purchases and operating leases. It discloses individual contractual commitments by category and by entity. Contractual commitments are summarized in Note 14 to the audited financial statements in Section 2 of this volume.

Transfer payment agreements are irrevocable contracts to provide funding to other levels of governments, organizations or individuals.

Fixed assets are tangible, durable items of value, including major additions or alterations thereto, including military equipment and land, from which benefits are expected to be derived during their useful life.

Purchase commitments are commitments supported by a contract to supply goods or services. An operating lease is a lease in which the lessor does not substantially transfer all the benefits and risks incident to ownership of property to the lessee.

**TABLE 11.3**

### TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2003

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2009 and subsequently
					2004	2005	2006	2007	2008	
<b>Transfer payment agreements—</b>										
Canada Mortgage and Housing Corporation (Government account)—										
Social Housing Program .....	31,533 <sup>(1)</sup>	31,533	22,782	8,751 <sup>(2)</sup>	1,806	1,762	1,731	1,733	1,719	
Agriculture and Agri-Food Canada—										
Province of Saskatchewan—Prairie										
Grain Roads Program .....	73	73	34	39	13	13	13			
Province of Manitoba—Prairie										
Grains Road Program .....	16	16	8	8 <sup>(3)</sup>	3	3	2			
Industry—										
Canadian Space Agency—										
Telesat Canada—Payload Flight Demonstration Program .....	60	60	40	20	20					
European Space Agency—										
Earth Observation and Telecommunications Programs .....	224	203	68	135	29	28	23	21	15	19
Health—										
Control and provision of Health Services to Indian Bands, associations or groups..	1,023	1,023	575	448	170	143	81	51	3	
Government of Nunavut .....	30	30	11	19	10	9				
Canadian International Development Agency—										
Geographic Programs .....	683	683	298	385	112	101	71	53	31	17
Partnership Program .....	455	455	228	227	82	73	33	23	15	1
Country in Transition Program .....	85	85	64	21	5	9	7			
Multilateral Program .....	503	503	386	117	97	14	6			
Citizenship and Immigration—										
Canada-Quebec Accord .....	762	762	157	605	121	121	121	121	121	
Canada-Manitoba Accord .....	35	35	5	30	6	6	6	6	6	
Canada-British Columbia Accord .....	246	246	41	205	41	41	41	41	41	
Canadian Heritage—										
Contributions—										
National Association of Friendship Center .....	73	73	29	44	15	15	14			
Corporation Katimavik—OPCAN .....	26	26		26	9	9	8			
Volunteer Canada .....	16	16	2	14	5	4	5			
Visits and Exchanges in Canada .....	14	14		14	5	5	4			

**TABLE 11.3**TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2003—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2009 and subsequently
					2004	2005	2006	2007	2008	
<b>Indian Affairs and Northern Development—Comprehensive Land Claims Agreement—</b>										
Indian and Inuit Affairs.....	371	371	198	173	51	51	44	4	4	19
Financial Transfer Arrangement.....	1,375	1,375	780	595	245	201	109	24	16	
Comprehensive Funding Arrangement.....	307	307	100	207	202	5				
Canada First Nations Funding Agreement.....	1,653	1,653	675	978	325	315	156	95	87	
DIAND/First Nations Funding Arrangement.....	722	722	390	332	135	130	49	18		
Contribution Agreement.....	217	217	31	186	37	38	29	21		61
<b>Atlantic Canada Opportunities Agency—Economic Development Programs—</b>										
Canada /Newfoundland Comprehensive Economic Development Agreement .....	67	67	49	18	18					
Canada/New Brunswick Regional Economic Development Agreement .....	216	216	198	18	9	9				
Canada/Newfoundland Infrastructure Program Agreement.....	51	51	11	40	14	13	13			
Canada/Prince Edward Island Infrastructure Program Agreement....	13	13	4	9 <sup>(3)</sup>	5	3	1			
Canada/Nova Scotia Infrastructure Program Agreement....	65	65	6	59	29	16	14			
Canada/New Brunswick Infrastructure Program Agreement....	55	55	14	41	16	14	11			
<b>Industry—</b>										
Bioniche Life Science Inc. ....	17	17	5	12	3	8	1			
Goodrich Aerospace Canada Ltd. ....	47	47	17	30	13	11	6			
Honeywell ASCA Inc. ....	49	49	35	14	14					
Laboratoires Aétema Inc. ....	29	29	13	16	1	7				8
Messier-Dowty Inc. ....	26	26	15	11	8	3				
CAE Inc. - Visual technologies.....	80	80	46	34	15	12	7			
Pratt & Whitney Canada Inc. ....	99	99	58	41	30	11				
Canarie Inc.—Phase 3 Advanced applications development.....	78	78	42	36	36					
Aventis Pasteur Ltd—Cancer Vaccines .....	60	60	26	34	7	7	9	11		
<b>International Telecommunication Union—ITU operations.....</b>										
Shire Biochem Inc.—recombinant vaccine technology .....	80	80	17	63	6	18	15	24		
Rolls-Royce Canada Inc.—Industrial gas turbines.....	75	75	37	38	10	11	10	7		
ATS Automation Tooling System Inc. ....	26	26	1	25	9	8	8			
Cascade Data Services Inc. ....	87	87	1	86	11	13	12	19		31
CMC Electronics Inc.—Aeronautical sustainable technology .....	23	23	4	19	6	6	3	4		
Dupont Canada Inc.—Fuel cell components .....	19	19	4	15	5	4	6			

**TABLE 11.3**
**TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2003—Continued**

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2009 and subsequently
					2004	2005	2006	2007	2008	
Ontario Ministry of Agriculture, Food and Rural Affairs—Small town and rural infrastructure	142	142	37	105	82	15	8			
Ontario Ministry of Tourism, Culture and Recreation—Sports culture and tourism partnership	228	228	33	195	121	65	9			
Ontario Superbuild Corporation	100	100	3	97	51	31	15			
Inco Ltd—Hydrometallurgical process for Nickle Suphides	60	60	2	58	5	7	12	7	8	19
Mitel Network Corporation—Development of broadband multi-media platform	60	60	30	30	18	12				
Westport Innovations Inc.	19	19	6	13	8	4	.1			
Economic Development Agency of Canada for the Regions of Quebec—Canada Infrastructure Works Agreement—Quebec	1,133	1,133	843	290	250	33	7			
Innovation Development Entrepreneurship and Export Program (IDEA—SME)	560	560	471	89	55	26	7	1		
Community Futures Program (CFP)	293	293	243	50	19	16	15			
Regional Strategic Initiative Program	678	678	507	171	90	31	18	3	29	
Canadian Support Program for the Economy of Gaspé and Iles-de-la Madeleine	94	94	31	63	52	10	1			
Justice—Crime Prevention	62	45	26	19	9	7	3			
Youth Justice Services	1,127	952	567	385	196	189				
National Research Council of Canada—James Clerk Maxwell Telescope Mauna Kea, Hawaii, U.S.A.	40	40	29	11	1	1	1	1	1	6
Gemini Twin Telescope Project—Cerro Pachon, Chile and Mauna Kea, Hawaii, U.S.A.	109	109	44	65	6	6	7	7	7	32
Tri-University Meson Facility (TRIUMF) Vancouver, B.C.	394	394	257	137	40	40	19	19	19	
Canada-France-Hawaii Telescope Corporation—Mauna Kea, Hawaii	110	110	73	37	4	4	4	4	4	17
Natural Resources—Development of Renewable Energy—Saskatchewan Power Corporation	12	12	1	11	1	1	1	1	1	6
Hibernia Development Project—Interest Assistance Loan Agreement	237	221	37	184	39	33	27	24	11	50
Production of electricity from wind energy resources—Vision Quest Windelectric Inc.	34	34		34	3	3	3	3	4	18
Transport—Province of Quebec Road Agreement	271	271	201	70	4	4	4	4	4	50

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2003—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2009 and subsequently
					2004	2005	2006	2007	2008	
Western Economic Diversification—										
Infrastructure Canada .....	557	342	48	294	169	76	49			
Subtotal .....	48,163	47,717	31,071	16,646	5,032	3,884	2,880	2,358	2,177	315
Consolidated Crown Corporations—										
Telefilm Canada—										
Financial assistance to producers and distributors.....	56	56		56	56					
The Canada Council for the Arts—										
Future year grants .....	82	82		82	68	14				
Subtotal .....	138	138		138	124	14				
Total transfer payment agreements .....	48,301	47,855	31,071	16,784	5,156	3,898	2,880	2,358	2,177	315
Fixed assets and purchases—										
Fixed assets—										
Agriculture and Agri-Food Canada—										
Province of New Brunswick—Retrofit and addition to Fredericton research centre .....	16	16	15	1 <sup>(3)</sup>	1					
Fisheries and Oceans—										
Bedford Institute of Oceanography (BIO)—										
Construction of new Level II Laboratory Facility .....	19	19	1	18	1	8	9			
Renovation and conversion of Van Steelburg building to scientific support ..	15	15		15	1			1	5	8
St. Andrew's Biological Station (SABS)—										
Construction of new science and administration building .....	17	17		17	1	3	4	7	2	
St. Andrew's Biological Station (SABS)—										
Construction of wet laboratory facility ..	15	15	1	14	1	4	4	3	2	
Search and Rescue Lifeboat Replacement (SEPA).....	41	41	3	38	10	13	8	7		
Industry—										
Canadian Space Agency—										
Scientific activities MSS operations—MacDonald Dettwiler Space and Advanced Robotics Ltd. ....	117	117	100	17	17					
Parks Canada Agency—										
Grosse-Île Development—										
Phase II.....	19	19	19	(3)						
Saguenay Marine Park—										
Tadoussac, Quebec, Phase I and II .....	31	31	28	3 <sup>(3)</sup>	2	1				
National Defence—										
CF18 Modernization-Engineering change 583 .....	1,048	731	444	287	127	70	76	14		
Canadian Search and Rescue Helicopter.....	770	711	661	50	49	1				
Tactical Command Control and Communication System .....	1,929	1,578	1,564	14	14					
Armoured Personnel Carriers .....	2,226	1,804	1,526	278	161	105	12			
M113 Life Extension Project .....	363	279	207	72	46	22	4			

**TABLE 11.3**
**TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2003—Continued**

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31						2009 and subsequently
					2004	2005	2006	2007	2008		
Canadian Submarine Capability											
Life Extension .....	160	160	156	4 <sup>(3)</sup>	4						
Evolved Sea Sparrow											
Missile Project .....	514	483	203	280	41	49	47	48	40	55	
Defence Message											
Handling System .....	123	47	35	12	7	5					
Protected Military Satellite											
Communications—U.S. Department of Defence .....	218	218	110	108	35	46	27				
Wheeled armoured vehicle—											
Life extension .....	231	26	18	8 <sup>(3)</sup>	4	4					
L2058 Weapons Effect Simulation—											
Cubic Defense Applications Inc. ....	128	128		128	30	19	31	4	5	39	
Aurora Data											
Management System 192—											
General Dynamics											
Canada Ltd. ....	198	198	15	183	41	30	28	36	30	18	
Other Fixed Assets (DND) .....	785	683	247	436	238	104	42	30	16	6	
Public Works and											
Government Services—											
Laurier-Taché Garage Repairs .....	59	59	26	33	12	15	6				
Library of Parliament—											
Renovations .....	109	109	50	59	29	26	4				
Bank Street Building .....	276	276	4	272	8	9	50	75		130	
<i>Subtotal</i> .....	9,427	7,780	5,433	2,347	880	534	352	225	100	256	
Consolidated Crown											
Corporation—											
National Capital											
Commission—											
Lebreton Flats .....	99	15	2	13	4	5	1	1	1	1	
VIA Rail Canada Inc.—											
Construction of Renaissance cars—											
Bombardier .....	145	80	57	23	23						
Canadian Museum of											
Civilization .....	75	75	5	70	56	14					
<i>Subtotal</i> .....	319	170	64	106	83	19	1	1	1	1	
Total fixed assets .....	9,746	7,950	5,497	2,453	963	553	353	226	101	257	
Purchases —											
Privy Council—											
Chief Electoral Officer—											
IBM Canada—Facilities Management											
Support Services .....	20	20	4	16	5	6	4	1			
Foreign Affairs and											
International Trade—											
Canadian Bank Note Company Ltd. ....	38	38	3	35	11	6	6	6	6	6	
Solicitor General—											
Correctional Service—											
NVA Canada—Management											
Training .....	23	23	3	20	2	2	2	2	3	9	
Royal Canadian Mounted Police—											
Niche Technology—Police Reporting and Occurrence System .....	20	20	1	19	2	4	5	4	4		
Industry—											
Canadian Space											
Agency—											
RadarSat-2 construction—											
MacDonald Dettwiler Ltd. ....	343	343	330	13	3	10					
RadarSat 1 operation—SED Systems....	19	19	10	9 <sup>(3)</sup>	5	4					

**TABLE 11.3**TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2003—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2009 and subsequently
					2004	2005	2006	2007	2008	
National Defence—										
Ammunition .....	91	91	21	70	48	3	3	3	3	10
Contracted Military pilot training—Bombardier Inc. ....	441	424	343	81	33	36	12			
Logistik Unicorn—Occupational clothing .....	166	166	150	16	16					
Nasitnuq Corporation—										
North Warning System support .....	577	236	70	166	53	44	45	24		
Combat Systems and Engineering Support—Lockheed-Martin .....	122	65	48	17	17					
CF-18 System Engineering Support Contract—Bombardier .....	329	329	249	80	75	5				
Bombardier—NATO Flying Training Centre .....	2,664	2,007	290	1,717	83	93	96	99	99	1,247
Serco Ltd.—Goose Bay ASD .....	150	150	116	34	34					
Serco Ltd.—Goose Bay ASD .....	431	431		431	35	40	41	42	43	230
Consolidated Automatic Test Equipment Support Facility—Harris Canada .....	205	205	81	124	22	19	18	14	13	38
IMP Group Ltd.—Cormorant Integrated Services .....	160	160	18	142	25	46	38	23	10	
SNC-Lavalin — Service - Support Project 829875 .....	270	73	11	62	20	21	21			
Victoria Class Submarine service support—BAE Systems Projects Canada Ltd. ....	161	161	68	93	61	32				
Orenda—R & O CF-18 F404 Engine .....	120	120	20	100	20	20	20	20	20	
Other purchases (DND) .....	1,068	1,036	393	643	290	178	92	51	29	3
Human Resources Development—										
Canada Student Financial Assistance Act										
Service providers—Private Institutions .....	153	153	70	83	83					
Reprofiling of HRDC contribution for the Census—										
Statistics Canada .....	40	40	13	27	11	8	8			
Replacement of support hardware and software—Unisys Canada .....	16	16	4	12	3	2	2	2	2	1
Telecommunications Equipment and Services—Sprint Canada Inc. ....	52	52	18	34	8	8	9	9		
Mainframe maintenance and Software support services—										
—Unisys Canada .....	21	21	10	11	4	3	2	2		
Information Technology Consulting.										
Hardware and Software purchase—										
—Unisys Canada .....	15	15	4	11	5	6				
Hardware purchase, System integration and Support services—										
—IBM Canada .....	25	25	7	18	9	9				
Canada Customs and Revenue Agency—										
Computer Associates Canada Ltd.— Maintenance agreement for mainframe software .....	25	23	2	21	10	11				

**TABLE 11.3**
**TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2003—Continued**

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2009 and subsequently
					2004	2005	2006	2007	2008	
IBM Canada Ltd.—										
Maintenance SAP .....	24	23	7	16	8	8				
XWave solutions Inc.—E-Business Infrastructure Platform .....	28	27	14	13	7	6				
Bell Nexxia—Network Maintenance .....	16	15		15	4	3	4	4		
Sita Advanced Travel Solutions—Informatic System Integration .....	21	21	6	15	5	5	5			
Public Works and Government Services—										
Brookfield LePage Johnson Controls Property Management Services										
Québec West .....	138	126	113	13	13					
Ottawa, Ont. (NCA-1,2, and 3) .....	684	684	542	142	142					
Greater Toronto Area, Ont. ....	212	212	176	36	36					
Enmax Energy Contract—										
Purchase of electricity .....	20	20	9	11	4	4	3			
BCE Nexxia Inc. (Bell Nexxia) .....	153	153	126	27	27					
EDS Canada .....	27	27	3	24	4	4	4	4	4	4
TPG Technology .....	99	99	82	17	17					
IBM Canada Ltd. ....	18	18	2	16	2	2	2	2	2	6
IBM Canada Ltd. ....	58	58	47	11	11					
<i>Subtotal</i> .....	9,263	7,945	3,484	4,461	1,273	648	442	312	238	1,548
Consolidated Crown Corporations—										
Canadian Broadcasting Corporation—										
Sports Rights .....	510	510	125	385	54	106	85	64	76	
Canadian Air Transport Security Authority—										
Screening Services .....	93	93		93	93					
National Capital Commission—										
Employee take over, Service Contract .....	37	37	11	26	12	7	5	2		
<i>Subtotal</i> .....	640	640	136	504	159	113	90	66	76	
Total purchases .....	9,903	8,585	3,620	4,965	1,432	761	532	378	314	1,548
<b>Total fixed assets and purchases .....</b>	<b>19,649</b>	<b>16,535</b>	<b>9,117</b>	<b>7,418</b>	<b>2,395</b>	<b>1,314</b>	<b>885</b>	<b>604</b>	<b>415</b>	<b>1,805</b>
Operating leases—										
Environment—										
Lease of land Capilano Indian Reserve No. 5 Vancouver, B.C. ....	538	538	74	464	6	9	8	7	7	427
Supercomputer Hardware and Software Lease										
NEC Corporation .....	93	85	84	1 <sup>(3)</sup>	1					
I.B.M. Canada Ltd.										
Rental and maintenance of Supercomputer system .....	42	42		42	8	8	8	9	9	
Foreign Affairs and International Trade—										
Mitsui Fudosan New York .....	52	52	15	37	3	3	3	3	3	22
Hong Kong Land Limited, Hong Kong .....	53	53	51	2 <sup>(3)</sup>	2					
Tower Plaza Associates New York .....	20	20	12	8 <sup>(3)</sup>	1	2	1	1	2	1

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2003—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31						2009 and subsequently	
					2004	2005	2006	2007	2008			
<b>Public Works and Government Services—</b>												
174 Stone Road Ltd., Toronto.....	25	25	14	11	1	1	1	1	1	1	6	
1600 Star Top, 519719 Ontario Inc.....	95	95	7	88	5	5	5	5	5	5	63	
550 Blvd Cité, Alex Nihon Inc.....	121	121	10	111	10	7	7	7	7	7	73	
BTC Properties II Ltd and												
3160343 Canada Inc., Toronto .....	18	18	1	17	2	2	2	2	2	2	7	
Elron Development, Toronto .....	19	19	4	15	1	1	1	1	1	1	10	
160 Elgin Portfolio Inc.....	60	60		60						8	52	
269 Laurier Street—Great West Life Assurance Co. and.												
London Life Insurance Co.....	152	152		152		5	11	10	10	10	116	
155 Queen Street, GWL Realty Inc.....	19	19	4	15	4	4	4	3				
Old Oak Properties Inc., London, Ont. ....	39	39	25	14	3	3	3	3			2	
1138 Melville St., Oxford Management Services, Vancouver, B.C. ....	34	34	8	26	3	3	3	3	3	3	11	
Place Moncalm, Phase III, 70 Crémazie .....	128	128		128	16	7	7	7	7	7	84	
300 Laurier Street, Rostrust Investments .....	11	11	1	10	1	1	1	1	1	1	5	
SITQ—5 Place Ville Marie, Montreal .....	21	21		21	2	2	2	2	2	2	11	
The Regional Group of 1550 Carling.....	21	21	2	19	3	3	3	3	3	3	4	
WPBI Property Management Inc.												
825 St-Antoine West, Montreal .....	14	14		14	1	1	1	1	1	1	9	
200 René Lévesque West, Montreal.....	66	66		66	6	6	6	6	6	6	36	
Gespa CDPQ Inc.												
160 Elgin Street.....	21	21	3	18	6	6	6					
Morgan Stanley Investments Ltd												
200 Kent St., Ottawa.....	156	156		156	4	15	15	15	15	15	92	
344 Slater St., Ottawa .....	90	90	1	89	9	9	9	9	9	9	44	
320 Queen Street, Ottawa .....	38	38	16	22	4	4	4	4	4	4	2	
340 Laurier Street, Ottawa .....	56	56	11	45	6	6	6	6	6	6	15	
Barclay Center, Calgary, Alberta Inc. (725844 Alberta).....	36	36	17	19	4	4	4	4	4	3		
Standard Life Assurance Co. Toronto												
280 Slater Street.....	51	51		51	6	5	5	5	5	5	25	
333 Laurier Street .....	14	14		14	2	3	3	3	3			
333 Laurier Street .....	35	35		35	3	5	5	5	5		17	
Aon Inc. Peterborough, Ont. ....	25	25	13	12	1	1	1	1	1	1	7	
Orlando Corporation, Mississauga, Ont. ....	48	48	12	36	5	5	5	5	5	5	11	
The Exchange Tower Ltd., Toronto.....	29	29	15	14	8	6						
National Capital Commission—												
40 Elgin Street, Ottawa .....	20	20	6	14	1	1	1	1	1	1	9	
Amon Corporation—25 Nicholas Street, Ottawa.....	22	22	8	14	2	2	2	2	2	2	4	
1258898 Ontario Ltd.—400 Cumberland Street, Ottawa .....	27	27	7	20	3	3	3	3	3	3	5	
Société de Gestion Cogir Inc.—												
Brossard, Quebec .....	65	65	6	59	7	7	7	7	7	7	24	
Société en commandite Redbourne												
Brossard et Immeubles Régime XI.....	24	24	1	23	3	3	3	3	3	3	8	
3878309 Canada Inc. and First National Funding Corp.—Laval, Quebec .....	34	34	1	33	3	3	3	3	3	3	18	
Bona Building & Management Co.												
155, McArthur Road, Ottawa .....	13	13	3	10	3	3	3	1				
333-335 River Road, Ottawa .....	70	70	12	58	7	7	7	7	7	7	23	
285 Coventry Road .....	35	35	3	32	4	4	4	4	4	4	12	
219 Laurier Avenue, Ottawa .....	13	13	2	11	2	2	2	2	2	2	1	
219 Laurier Avenue, Ottawa .....	12	12	2	10	2	2	2	2	2	2		

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2003—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31						2009 and subsequently
					2004	2005	2006	2007	2008		
200 Laurier Avenue, Ottawa.....	17	17	3	14	2	2	2	2	2	2	4
Urbandale Corporation											
100 Metcalfe Street, Ottawa.....	14	14	3	11	2	2	2	2	2	2	1
100 Metcalfe Street, Ottawa.....	21	21	1	20	2	2	2	2	2	2	10
Capital City Shopping Centre											
Billings Bridge Tower, Ottawa .....	41	41	4	37	4	4	4	4	4	4	17
O & Y Enterprise National											
Billings Bridge Tower, Ottawa.....	13	13			13	13					
3840743 Canada Inc.											
975 St. Joseph Boulevard .....	16	16	2	14	2	2	2	2	2	2	4
350/360 Albert Street, Ottawa .....	39	39	4	35	4	4	4	4	4	4	15
750 Heron Road, Ottawa.....	17	17	2	15	2	2	2	2	2	2	5
Gladwin Corporation—2215 Gladwin.....	22	22	4	18	3	3	3	3	3	3	3
21 Fitzgerald Road.....	11	11	1	10	2	2	2	2	2	2	
25 Fitzgerald Road.....	27	27	2	25	4	4	4	4	4	4	5
3170437 Canada Inc.											
100 Colonnade Road.....	11	11	1	10	2	2	2	2	2	2	
100 Colonnade Road.....	24	24	2	22	2	2	2	2	2	2	12
PL Vincent Massey .....	25	25	11	14	2	2	2	2	2	2	4
Canada Life Mortgage											
L'Esplanade Laurier .....	66	66	30	36	5	5	5	5	5	5	11
Pinecrest Office Park.....	12	12	2	10	2	2	2	2	2	2	
The Hi-Rise Group, Hamilton.....	258	258		258	29	12	12	13	13	13	179
Solicitor General—											
Royal Canadian Mounted Police—											
Dispatch radio service—Manitoba											
Telephone Service (MTS)											
Mobility .....	60	60	31	29	6	6	6	6	5		
<i>Subtotal</i> .....	3,269	3,261	554	2,707	259	235	235	226	228	1,524	
Consolidated Crown Corporations—											
Canadian Air Transport											
Security Authority—											
Equipment and Office Space.....	14	14		14	2	2	2	1	1	1	6
National Capital Commission—											
Chalmers Building											
40 Elgin St., Ottawa .....	176	176	44	132	5	5	6	6	6	6	104
VIA Rail Canada Inc.—											
Central Station — Montreal .....	48	48	25	23	4	4	4	4	4	4	3
Union Station — Toronto .....	129	129	5	124	2	2	2	2	2	2	114
Canadian Broadcasting Corporation—											
Satellite lease (Telesat) .....	197	197	13	184	13	13	13	14	13	13	118
Profac Facility and Property Management .....	145	145	19	126	24	24	25	26	27		
TQS Inc.—											
(Cogaco Radio — Tel Inc.).....	13	13	1	12	2	2	3	2	2	2	1
Telefilm Canada—											
Office leases .....	15	15		15	2	1	1	1	2	2	8
International Development Research Centre—											
Pension Realty Limited—											
Office Space and Maintenance Lease....	88	30	5	25	4	5	6	6	4		
Canada Council for the Arts—											
Operating leases .....	33	33		33	3	3	3	3	3	3	18

**TABLE 11.3****TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2003—Concluded**

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2009 and subsequently
					2004	2005	2006	2007	2008	
National Gallery of Canada—										
Operating leases.....	12	12	4	8 <sup>(3)</sup>						7
<i>Subtotal</i> .....	<i>870</i>	<i>812</i>	<i>116</i>	<i>696</i>	<i>61</i>	<i>61</i>	<i>66</i>	<i>65</i>	<i>64</i>	<i>379</i>
<b>Total operating leases</b> .....	<b>4,139</b>	<b>4,073</b>	<b>670</b>	<b>3,403</b>	<b>320</b>	<b>296</b>	<b>301</b>	<b>291</b>	<b>292</b>	<b>1,903</b>
<b>Grand total</b> .....	<b>72,089</b>	<b>68,463</b>	<b>40,858</b>	<b>27,605</b>	<b>7,871</b>	<b>5,508</b>	<b>4,066</b>	<b>3,253</b>	<b>2,884</b>	<b>4,023</b>

<sup>(1)</sup> The total shown under "Total estimated cost" is a cumulative total of amounts charged to budgetary appropriations since 1992, when particulars of this commitment were first reported in the *Public Accounts of Canada*, plus the outstanding commitment reported at fiscal year end.

<sup>(2)</sup> The total outstanding amount of this commitment which extends up to 40 years, cannot be determined with any degree of accuracy and hence estimates have been provided covering only the next five fiscal periods. The sum of these amounts (\$8,751 million), should therefore not be interpreted as the total outstanding commitment at March 31, 2003.

<sup>(3)</sup> Particulars of this commitment, shown for continuity purposes, will not be reported in future years since it has either been retired in full or the outstanding obligation is now less than \$10 million.

## International Commitments

Table 11.4 summarizes the commitments for international organizations according to whether they would result in the disbursement of funds for non-budgetary share capital and loans, or for budgetary loans and advances. Non-budgetary share capital and loans are considered to be assets of the Government, whereas budgetary loans and advances are considered to be transfer payments to the organizations or countries involved.

Commitments reported in this table include loans and advances to international organizations and developing

countries, which Canada has agreed to disburse in the future. Future paid-in share capital represents commitments made by Canada for future purchases of non-budgetary share capital in international organizations. The amounts reported in Table 11.4 as undisbursed loans and advances and as future paid-in share capital exclude notes that have been issued and that are still unpaid as at March 31, 2003.

Table 11.4 contains information that is summarized in Note 14 to the financial statements.

**TABLE 11.4**

**INTERNATIONAL ORGANIZATIONS COMMITMENTS  
(in millions of dollars)<sup>(1)</sup>**

	Undisbursed loans and advances	Future paid-in share capital	Total
<b>NON BUDGETARY SHARE CAPITAL AND LOANS—</b>			
African Development Bank .....		17	17
European Bank for Reconstruction and Development .....		53	53
International Monetary Fund .....	168		168
Developing countries—Canada Account .....	4,612		4,612
	4,780	70	4,850
<b>BUDGETARY LOANS AND ADVANCES—</b>			
Caribbean Development Bank—Special .....	11 <sup>(2)</sup>		11
International Development Association .....	460		460
International Monetary Fund .....	16		16
GEF Trust Fund .....	119		119
Developing countries—Canada Account .....	10		10
	616		616
<b>Total</b> .....	<b>5,396</b>	<b>70</b>	<b>5,466</b>

<sup>(1)</sup> Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2003 (1\$US = \$1.4678 Cdn; 1SDR = \$2.01645 Cdn).

<sup>(2)</sup> These amounts represent, in certain cases, notes payable to be issued in future years.

Note: Canada has agreed to lend the Poverty Reduction and Growth Facility (formerly the Enhanced Structural Adjustment Facility) special drawing rights (SDR) 700 million of which SDR 617 million has been lent, and to subsidize the interest rate on the loan through a grant of approximately SDR 190 million, of which SDR 182 million has been paid-in.

## Contingent Liabilities

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur. Contingent liabilities are recorded in the accounts when it becomes likely that a payment will be made and the amount of that payment can be reasonably estimated. The contingent liabilities of the Government are classified into five categories: Guarantees, International Organizations, Contaminated Sites, Claims and Pending and Threatened Litigation, and Insurance Programs. Additional information regarding each category is provided below.

For details of contingent liabilities of consolidated Crown corporations, refer to Table 4.3 "Contingent Liabilities of Consolidated Crown Corporations". Particulars of contingent liabilities of enterprise Crown corporations and other government business enterprises are not consolidated with those of the Government but details of these contingencies may be found in Table 9.9 "Contingent Liabilities of Enterprise Crown Corporations and other Government Business Enterprises".

## Guarantees

Guarantees of the Government include:

- guarantees of the borrowings of agent enterprise Crown corporations and other government business enterprises;
- guarantees of certain loans made by agent enterprise Crown corporations;
- guarantees, either collective or specific, of the loans of certain individuals and companies obtained from the private sector;
- insurance programs of the Government; and
- other explicit guarantees.

Losses on loan guarantees are recorded in the accounts when it is likely that a payment will be made to honour a guarantee and where the amount of the anticipated loss can be reasonably estimated. The amount of the allowance is determined by taking into consideration the nature of the loan guarantee, loss experience and the use of other measurement techniques. Borrowings of agent enterprise Crown corporations and other government business enterprises are recorded as liabilities for the portion not expected to be repaid directly by these corporations.

Table 11.5 lists the outstanding guarantees and is summarized in Note 14 to the financial statements of the Government in Section 2 of this volume.

**TABLE 11.5**

**GUARANTEES BY THE GOVERNMENT  
AS AT MARCH 31, 2003**

	Authorized limit (where applicable) <sup>(1)</sup>	Contingent liability
	\$	\$
<b>GUARANTEES BY THE GOVERNMENT OF</b>		
Borrowings by enterprise Crown corporations which are agents of Her Majesty.....		46,341,531,000 <sup>(2)</sup>
Borrowings by other than enterprise Crown corporations		
From agents		
Loans to Indians by the Canada Mortgage and Housing Corporation and the Farm Credit Canada, for on-reserve housing .....	1,700,000,000 <sup>(4)</sup>	432,434,819
From other than agents		
Guarantee programs of the Government		
Canada Student Loans Act .....	10,781,963,150	681,410,049
Small Business Loans Act .....	3,079,853,936	800,232,148
Farm Improvement Loans Act and Farm Improvement and Marketing Cooperatives Loans Act .....	3,000,000,000	264,205,078
Advance Payments for Crops Act .....	1,900,000,000	223,894,170
Atlantic Enterprise Program .....		4,195,563 <sup>(5)</sup>
Enterprise development program .....	1,200,000,000	212,300
Fisheries Improvement Loans Act .....		
Loans to Indians by approved lenders for on-reserve housing .....		(4) 849,640,738
Financial obligations incurred by air carriers regarding purchase of The Havilland Aircraft of Canada, Limited DHC7 and DHC8 aircraft .....	991,950,000	219,202,407
Indian economic development .....	60,000,000 <sup>(6)</sup>	1,415,273 <sup>(3)</sup>
Aboriginal Economic Program .....		9,890,500
Time Air (1982) Ltd .....	10,000,000	471,238
	21,023,767,086	3,054,769,464

**TABLE 11.5**
**GUARANTEES BY THE GOVERNMENT  
AS AT MARCH 31, 2003—Concluded**

	Authorized limit (where applicable) <sup>(1)</sup>	Contingent liability
	\$	\$
<b>Other explicit loan guarantees</b>		
Loans with respect to the <i>Hibernia Development Project Act</i> . . . . .	1,660,000,000	129,452,119
Loans to NewGrade Energy Inc to finance construction of a heavy oil upgrader . . . . .	275,000,000	51,971,865 <sup>(7)</sup>
Loan by Bank of America to Algoma Steel Inc. . . . .		30,000,000
Loan by First Union Commercial Corporation to Air Canada for purchase of aircraft . . . . .	66,051,000	59,592,680
Loans to Government of Bulgaria . . . . .	11,000,000	11,000,000
Loans to Ridley Terminals Inc. for operating and capital purposes . . . . .	101,000,000	62,913,000
Loan to Laurentian Pilotage Authority . . . . .	4,000,000	
	<b>2,117,051,000</b>	<b>344,929,664</b>
<b>Insurance programs of the Government</b>		
Accounts administered for the Government by the Export Development Canada—Insurance and related guarantees . . . . .	13,000,000,000 <sup>(8)</sup>	1,948,750,605
Insurance against accidents at nuclear installations under the <i>Nuclear Liability Act</i> <sup>(9)</sup> . . . . .	1,050,000,000 <b>14,050,000,000</b>	583,945,079 <b>2,532,695,684</b>
<b>Other explicit guarantees</b>		
Guarantees under the <i>Prairie Grain Advance Payments Act</i> . . . . .	1,900,000,000	142,031,656
Guarantees under the <i>Spring Credit Advance Program</i> . . . . .		
Guarantees to holders of mortgages insured by the Mortgage Insurance Company of Canada and GE Capital Mortgage Insurance Co. (Canada) . . . . .		473,746,640
Guarantees under Section 19 of the <i>Canadian Wheat Board Act</i> . . . . .		6,815,356,000 <sup>(10)</sup>
Guarantees under the <i>Agricultural Marketing Programs Act</i> . . . . .	1,900,000,000	19,501,390
	<b>40,790,818,086</b>	<b>7,450,635,686</b>
<b>Total gross guarantees</b> . . . . .	<b>40,790,818,086</b>	<b>60,156,996,317</b>
Less: allowance for losses . . . . .		3,802,000,000
		<b>56,354,996,317</b>

(1) The authorized limits indicated in the above statement represent the aggregate total of various types of authorities of Government bodies as stipulated in legislation, legal agreements or other documents that may be in force at any one time.

(2) For details, see Table 9.6 in the previous section of this volume.

(3) The contingent liability related to guaranteed loans for Indian Economic Development includes \$1,415,273 of undisbursed commitment to borrowers for IEDG loans, for loans that will be advanced by lenders. These remaining loan advances will be made to the borrowers on the basis of progress made on the project for which they were approved.

(4) Department of Indian Affairs and Northern Development authorized a limit of \$1.7 billion by Parliament (as shown above), to issue guarantees on loans made by the Canada Mortgage and Housing Corporation and other approved lenders, for housing purposes, and to issue guarantees on loans made by the Farm Credit Canada for farming purposes. The contingent liability amounts related to guaranteed loans for On-Reserve Housing include \$432,412,128 of undisbursed commitment by CMHC, \$22,691 by FCC and \$849,640,737 by other approved lenders.

(5) The Atlantic Enterprise Program offers loan insurance on new term loans for the establishment, expansion or modernization of commercial operations in eligible sectors in the Atlantic provinces where the Program is administered by the Atlantic Canada Opportunities Agency (\$3,588,213 as at March 31, 2003) and in the Gaspé Peninsula and Magdalen Islands of Quebec where administration of the Program is the responsibility of the Economic Development Agency of Canada for the Regions of Quebec (\$607,350 as at March 31, 2003).

(6) The maximum aggregate amount that may be paid out of the Consolidated Revenue Fund and/or outstanding as a contingent liability in the current and subsequent years in respect of all guarantees authorized under Vote L53b shall be \$60,000,000. As at March 31, 2003, \$27,322,021 had been disbursed in cumulative defaults as well there were outstanding contingent liabilities totaling \$1,415,273 leaving a free balance of \$31,262,706 available to issue further guarantees.

(7) Should the borrower default on this obligation, the Government of Canada would be liable for payment but would be, in turn, indemnified by the Province of Saskatchewan.

(8) The *Export Development Act* specifies that Export Development Canada (EDC) may enter into contracts of insurance, re-insurance, related guarantees, financing and other agreements up to the authorized limit of \$13 billion. In total, EDC has \$9.5 billion outstanding against this limit, consisting of \$1.9 billion in contingent liabilities, \$2.6 billion in financing, \$364 million in undisbursed loan guarantees and \$4.6 billion in undisbursed loan commitments.

(9) There have been no claims under the *Nuclear Liability Act* since its inception in 1970.

(10) The Government guarantees the payment of present and future liabilities, indebtedness, or other obligations of the Canadian Wheat Board.

## International Organizations

Within contingent liabilities, callable share capital represents the portion of Canada's capital subscriptions that has not yet been paid-in. Callable capital is subject to call by offshore banks in the event that they were unable to meet their obligations.

Table 11.6 details the contingent liabilities for international organizations and is summarized in Note 14 to the financial statements.

**TABLE 11.6**

### INTERNATIONAL ORGANIZATIONS CONTINGENT LIABILITIES (in millions of dollars)<sup>(1)</sup>

	Callable share capital
<b>NON-BUDGETARY SHARE CAPITAL AND LOANS—</b>	
African Development Bank .....	1,245
Asian Development Bank .....	2,847
Caribbean Development Bank .....	72
International Bank for Reconstruction and Development (World Bank) .....	7,440
Multilateral Investment Guarantee Agency .....	67
European Bank for Reconstruction and Development .....	899
Inter-American Development Bank .....	5,675
Total .....	<b>18,245</b>

<sup>(1)</sup> Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2003 (1US\$ = \$1.4678 Cdn; 1SDR = \$2.01645 Cdn).

## Contaminated Sites

Environmental liabilities reflect the estimated costs related to the management and remediation of environmentally contaminated sites. The Government's responsibility is limited to contaminated sites located on federal property, to contaminated sites where the Government has a contractual obligation, or to non-federal contaminated sites where the Government has decided to voluntarily assume some or all of the responsibility for remediation.

Based on management's best estimates, a liability is accrued when the contamination occurs, or when the Government becomes aware of the contamination and is obligated or likely obligated to incur such costs. As at March 31, 2003, the Government has recorded a liability of \$3,378 million (\$3,351 million in 2002) for approximately 2,200 sites.

The Government has estimated additional clean-up costs of \$915 million (\$710 million in 2002) that are not accrued as these are not considered likely to be incurred, given the current intended use of the site. The Government's ongoing efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued in the year in which they become known.

## Claims and Pending and Threatened Litigation

There are thousands of claims and pending and threatened litigation cases outstanding against the Government. The total amount claimed in these actions, including a number where an amount is not specified, and their outcomes are not determinable.

The Government records an allowance for those cases identified as likely to be lost and which can be reasonably estimated. All other cases, excluding those assessed as unlikely to be lost, are considered contingent liabilities. As at March 31, 2003, contingent liabilities for claims and pending and threatened litigation have been estimated to approximate \$12,336 million (\$9,408 million in 2002). This estimate of possible loss covers only a portion of all claims against the government. As explained in note 14 to the financial statements of the Government in Section 2 of this volume, the total contingency relating to outstanding claims is not determinable. Certain large and significant claims are described below:

**Comprehensive land claims:** There are currently 73 comprehensive land claims under negotiation, accepted for negotiation or under review. To date, about one third of claims have progressed to a point where quantification is possible; these approximate \$2,500 million. The remaining claims are still in the early stages of negotiations and cannot yet be quantified.

**Assessed taxes under objection or appeal:** As at March 31, 2003, an amount of \$7,641 million (\$7,859 million in 2002) of taxes assessed was under objection at Canada Customs and Revenue Agency and an amount of \$1,420 million (\$1,422 million in 2002) was being appealed to either the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada.

## Insurance Programs

An insurance program is a program where the insured, an outside party, pays an insurance fee which is credited to an insurance fund or provision operated by the corporation. The amount of the fee is based on the estimated amount of insurance fund or provision needed to meet future claims. Insurance programs operated by private corporations such as employee group insurance, dental plans, etc., are not included in this definition. Three Crown corporations currently operate insurance programs as agents of Her Majesty.

The insurance programs are intended to operate on a self-sustaining basis. However, in the event the corporations have insufficient funds, the Government will have to provide financing. The Government expects that all three corporations will cover the cost of both current claims and possible future claims.

Information presented in Table 11.7 has not been audited since the information presented therein is derived from interim financial statements. Additional financial information relating to these corporations may be found in the "President of the Treasury Board's Annual Report to Parliament - Crown Corporations and Other Corporate Interests of Canada".

In Table 11.7, a minus “–” sign preceding the amount reported indicates a fund deficit, an expense recovery or adjustment, or a decrease or loss during the year. Information contained in this table is summarized in Note 14 to the financial statement of the Government in Section 2 of this volume.

TABLE 11.7

## SUMMARY OF INSURANCE PROGRAMS OF AGENT ENTERPRISE CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2003

(in millions of dollars)

	Canada Deposit Insurance Corporation <sup>(1)</sup>		Canada Mortgage and Housing Corporation <sup>(2)</sup>				Export Development Canada <sup>(3)(4)</sup>	
	2002-2003	2001-2002	Mortgage Insurance Fund		Mortgage-Backed Securities Guarantee Fund		2002-2003	2001-2002
			2002-2003	2001-2002	2002-2003	2001-2002		
Insurance in force as at reporting date.....	362,872	346,809	225,648	218,900	46,214	37,452	11,219	12,292
Opening balance of Fund/Allowance .....	486	455	1,229	896	80	70	(3)	(3)
Revenues for the period—								
Premiums and fees .....	76	155	755	684	22	18	139	127
Investment income .....	33	36	294	281	7	8		
Other revenues.....			67	65	6	3		
Total revenues .....	109	191	1,116	1,030	35	29	139	127
Expenses for the period—								
Loss on/provision for claims .....	39	61	120	336			115	83
Interest on loans .....								
Administrative and tax .....	16	98	122	110	5	7		
Funds returned to Government.....								
Other expenses.....	1	1	335	251	12	12	-35 <sup>(4)</sup>	-(4)
Total expenses .....	56	160	577	697	17	19	80	82
Net income/loss (-) for the period .....	53	31	539	333	18	10	59	45
Closing balance of Fund/Allowance .....	539	486	1,768	1,229	98	80	(3)	(3)
Net claims during the period <sup>(5)</sup> .....			18	180	229	*	*	101
Five year average of net claims paid.....			247	291	*	*	85	70

\* Not applicable.

<sup>(1)</sup> The Canada Deposit Insurance Corporation (CDIC) provides insurance on deposits placed with member banks and trust and loan companies for up to \$60,000 per depositor, per institution. The Corporation is funded by premiums assessed against its member institutions.

<sup>(2)</sup> Canada Mortgage and Housing Corporation (CMHC) administers two funds: the Mortgage Insurance Fund (MIF) and the Mortgage-Backed Securities Guarantee Fund (MBSGF). The MIF provides insurance for a fee, to lending institutions to cover mortgage lending on Canadian housing. Besides establishing a framework of confidence for mortgage lending by lending institutions, the Fund facilitates an adequate supply of mortgage funds by reducing the risk to lenders and by encouraging the secondary market trading of mortgages, to make housing more accessible for Canadians. An actuarial study of the MIF is produced as of 30 September each year. The Corporation determines provisions for claims and unearned premiums at 31 December using valuation factors taking into account new business, claims and interest for the last quarter. The Mortgage-Backed Securities Guarantee Fund (MBSGF) supports two CMHC guarantee products: *National Housing Act* (NHA) Mortgage Backed Securities and Canada Mortgage Bonds.

The Mortgage Backed Securities program was implemented in 1987. For a guarantee fee paid by approved financial institutions, CMHC and ultimately the Government guarantee timely payment of monthly principal and interest to MBS investors who participate in a pool of insured residential mortgages which have been repackaged by the financial institution into investments which can be sold to investors in denominations as low as \$1,000.

The Canada Mortgage Bond (CMB) program was implemented in 2001. Under the CMB program, bonds are issued by a special purpose trust known as Canada Housing Trust and sold to investors in denominations as low as \$1,000. The proceeds of the bonds are used to purchase mortgages packaged into newly issued NHA MBS. Canada Mortgage Bonds issued by the Trust carry the full faith and credit of the Government of Canada and the timely payment of semi-annual interest and principal at maturity is guaranteed by the Government of Canada through CMHC.

<sup>(3)</sup> Export Development Canada provides export and foreign investment insurance to Canadian businesses to facilitate and develop export trade. The insurance program has been adequate to provide for the full cost of claims experienced to date and for the cost of future claims established based on previous claims experience. The corporation does not maintain a separate fund for its insurance program and therefore the balance of the fund is not available. EDC maintains an allowance for claims on insurance which is based on an actuarial review of net loss experience and potential net losses. The balance of the allowance is \$438 million (\$457 million in 2002). Comparative figures have been restated to conform to the current year's presentation.

<sup>(4)</sup> For Export Development Canada, other expenses represent the foreign exchange gain or loss or loss on the allowance for claims.

<sup>(5)</sup> Refers to the difference between claims and amounts received from sales of related assets and other recoveries.



# **SECTION 12**

*2002-2003*

**PUBLIC ACCOUNTS OF CANADA**

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